Alberta's Constitutional Reform Task Force

Roundtable IIII
November 30, 1990

"The Amending Process" and "The Economics of Federalism"

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ALBERTA'S CONSTITUTIONAL REFORM TASK FORCE

ROUNDTABLE IV

Edmonton, Alberta

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MR. SCHUMACHER: Well, ladies and gentlemen, we're short one member of the presenting staff; but I think because of it being a Friday afternoon, and people have commitments for the weekend, we should try to adhere as closely to our timetable as possible.

I would like to welcome you to the fourth and final roundtable of the Alberta Constitutional Task Force. I'd like to take the opportunity of introducing the members of the Task Force for the people here in the room and the people who will be viewing these proceedings via cable across the province.

First of all, my name is Stan Schumacher; I'm not the Honourable Jim Horsman, who is the Chairman of the Task Force; I'm the Vice-Chairman. Our chairman is away and attending to public business in Brussels dealing with the GATT negotiations, and that's why I, as the Vice-Chairman, am in this seat this afternoon.

On my immediate left is the Honourable Dennis Anderson, the MLA for Calgary Currie and Minister of Consumer and Corporate Affairs; and going further, around my left, we have the Honourable Nancy Betkowski, the MLA for Edmonton Glenora and Minister of Health. Just joining the table is Mr. Jack Ady, the MLA for Cardston. Seated next to him is Mr. Gary Severtson, Member of the Legislative Assembly for Innisfail.

Going across the table is Pearl Calahasen, MLA for Lesser Slave Lake; seated next to her is Stockwell Day, MLA for Red Deer North; and finally we have Mr. Fred Bradley, the MLA for Pincher Creek-Crowsnest.

The roundtable process of the Task Force commenced just over a month ago here in Edmonton in this room on October

26th. We met and discussed what we called an overview of federalism, and November 2nd we met in Calgary to discuss the dynamics of federalism, during which meeting we touched on aboriginal issues, the Charter of Rights, and constitutional reform. Last week, on November 23rd, we again met in Calgary to discuss restructured federalism, during which time we had a rather lively and very interesting discussion on different perspectives held by Western Canadians, Quebecers, and Maritimers. During the course of today's roundtable, we will be discussing two issues which are of vital concern, and we consider this to be the key parts of our country's future.

First, Professor Stephen Scott and Professor Allan Tupper will lead off with a discussion on the constitutional amending process. As we all know, from having observed the constitutional discussions over the last three years, the way we amended our Constitution is often as contentious and controversial as the amendments themselves. I welcome you both to this roundtable discussion.

DR. SCOTT: Thank you.

MR. SCHUMACHER: Our second issue for discussion is the economics of federalism, and in this area we are happy to have with us Professor Robert Mansell, who is with the University of Calgary's Economics Department.

Our second speaker, Professor Paul Boothe, is with the Department of Economics at the University of Alberta. Given their shared interest in this area, I'm sure that Professor Boothe and Professor Mansell have crossed paths on many occasions, but I welcome them both to the roundtable today.

The format for today's session is as follows: We have asked for 15-minute presentations from Professor Scott and Professor Tupper on the constitutional amending process; we'll then have a roundtable discussion for approximately an hour. All those at the table, including Professors Mansell and Boothe, are welcome to participate in the roundtable discussion on the appeal process. We'll then take a break, and when we return we will have 15-minute presentations from both Professors Mansell and Boothe on the economics of federalism, followed by a one-hour discussion amongst all the table.

If time permits, we have scheduled a half hour at

the end of the day for written questions from the members of the audience here with us this afternoon. The questions may be addressed to any or all of the presenters or members of the Task Force. I would ask that those who wish to write out a question to use the cards which have been included in the material which was handed out to you when you entered the meeting and then to give those cards to staff members who will bring them forward. We'll attempt to address as many questions as time permits, and if we're unable to answer them here, let's hope that you will put your name and address on the card so that we can follow the question up by mail.

As I noted at the outset, this is the final roundtable, and as such, the first step of this Task Force work is drawing to a close. We have already begun to work on a discussion paper which will be distributed widely amongst Albertans in the new year, and we are hopeful that as many Albertans as possible will have time to review and consider that discussion paper and respond to the issues raised by the paper through a questionnaire.

It's also the intention of the Task Force to then hold public meetings around the province in order to obtain the views of Albertans on our constitutional future. The Task Force will then prepare a position paper which will be released to all Albertans and tabled in the Legislature for a full debate.

The chairman of the Task Force, Mr. Horsman, has indicated that the Public Affairs Committee of the Legislature will likely be the forum for the discussion of that position paper, and that committee could very well also hold public hearings.

So although the first step is drawing to a close, there will be plenty of opportunity for Albertans in every part of our province to make their views known on the important issues that face our province in relation to the constitutional future of this country.

That having been said, I wish to introduce our first speaker on the subject of the constitutional amending formula, Professor Stephen Scott. Professor Scott has taught at McGill University's Faculty of Law since 1977.

DR. SCOTT: '67. Ten years older and greyer.

MR. SCHUMACHER: That's a very important date in our country's history as well as yours.

He was born and educated in Montreal and has been a member of the Quebec Bar since 1967. Professor Scott has an interest in constitutional law and has written extensively on the amending process, a complex issue on which he will no doubt be able to shed some light.

Welcome to our midst, Professor Scott.

DR. SCOTT: Thank you, Mr. Vice-Chairman.

I think Alberta is a singularly suitable place in which to broach the largest questions of the national agony and the human agony in general.

A good many years ago, a friend of mine told me about friends of hers who were driving en famille into Montreal, and you can see from a considerable distance when driving into Montreal a cross illuminated at the top of Mount Royal, and one of the children in the car asked Daddy, what's that? Daddy said, that's the cross. The kid asked, is that where Jesus died, Daddy? One of the other kids piped up and said, Don't be so stupid; everybody knows that Jesus died at Calgary.

So that convinced me that fundamental questions of the human agony and the national condition are settled in Alberta, and I'm pleased to be here. Of course we are here in the aftermath of Meech Lake, which confronts us with a real constitutional crisis, a crisis which in fact does affect the future of the country.

You've asked me to speak particularly about the constitutional amending processes, and I'll refer to some of the housekeeping and some of the larger details. In context we want to know how the amending process did or didn't work in connection with Meech Lake, how far is the failure of Meech Lake in some part a failure of the processes of constitutional amendment?

First, while Canadian federalism confronts serious problems, it would be a mistake to exaggerate the role of the constitutional amending processes themselves, either in causing or in solving these problems. The problem, I think, has been a lack of consensus and, some believe, a lack of leadership and skill in bringing it about.

The operation of the amending processes has

reflected this lack of consensus. Change in the amending processes will not create national consensus, though it can facilitate it. In particular, I think the failure of the 1987 Constitutional Accord, or Meech Lake Accord, was not the failure of Canadian federalism in general, not the failure of the constitutional amendment processes, not the failure of Canadian federalism in the sense of inability to address Quebec's five stated concerns which, when the Senate was added, were the six subjects in the Meech Lake proposal; rather, the failure of Meech Lake is firstly the failure of the substance of a particular proposal for reform, for a variety of reasons, some legitimate, and I was an opponent of Meech Lake, and some not.

Secondly, the failure of the methods by which this reform was devised. I refer in particular to the denial, which I myself personally felt very keenly, to members of the public of any opportunity to comment upon and influence the text of the 1987 Accord before its signature. This secrecy put a premium on the ability of the 11 governments around the table, meaning both the delegates and their advisors, to foresee, first of all, and meet adequately the problems with the substance of the reforms, but also more broadly, secondly, to represent adequately the various interests of aboriginal peoples, linguistic minorities, and so on not effectively present at the table. They weren't effectively there.

Given the secrecy of the process, this would have called for almost superhuman skills, qualities of foresight and skill. These were not forthcoming; a huge gamble was taken and lost. I believe that a more open process could have accommodated Quebec's concerns. I would hope that your study of the amending process, important as it is, will not distract you from looking at the entire range of legitimate concerns of all Canadians, including Albertans and of course Quebecers. To prove my point, I'm going to circulate a clause, a draft interpretation clause, designed to reflect in a balanced way Canada's various constitutional values and objects, including Quebec's distinctive identity. I don't know that we'll get all into that now or today, but we can have a look at it.

I'm morally certain also that a more open process would have prevented signature of an Accord which could not in the end be implemented, so making matters far worse than if it had never been signed at all.

Thirdly, the failure of the Meech Lake Accord is,

even more than a failure either of its substance or the methods of its genesis, a failure also of the extreme methods employed in the attempt to secure its passage. The 11 government signatories to the 1987 Accord could not and did not even purport to promise that the Houses of Parliament or the provincial legislative assemblies would pass the Constitution Amendment 1987. They promised only to submit it to them. The agreement said this: The Prime Minister of Canada will lay or cause to be laid before the Senate and the House of Commons, and the First Ministers of the provinces will lay or cause to be laid before their legislative assemblies as soon as possible a resolution in a form appended hereto to authorize a proclamation to be issued by the Governor-General under the Great Seal of Canada to amend the Constitution of Canada. In other words, they simply promised to submit it to the Houses, yet in the three years that Meech Lake amendment was before the public and treated as open for enactment, which in my view, incidentally, it still is legally because in my view there's no time limit on Section 41 amendments, it was repeatedly asserted that the 1987 Accord had promised to Quebec the enactment of its proposals. If these proposals were not enacted, we were warned, there would be a breach by Canada of a promise to Quebec.

This was repeated by many proponents of Meech Lake, including federal and provincial ministers of the Crown; for example, the Honourable Lucien Bouchard. In effect, then, the constitutional amending process was treated as a rubber stamp to implement First Ministers' decisions, and when it did not work as a rubber stamp, the political consequences were severe.

My first suggestion, then, is that governments approach with special sensitivity the use of the constitutional amending processes. Obviously these mechanisms do operate in the context of responsible parliamentary government, a system in which ministries are normally able to secure the passage of their measures through the Houses to which they were responsible. This should not, however, and need not mean that it's acceptable for ministries to force or try to force constitutional amendments through their parliamentary processes. Constitutional amendments are usually too important and virtually irrevocable. Still less should ministries make or even appear to make or let themselves be represented as making intergovernmental or other public commitments to force passage as a matter of the confidence of the House. Moreover, even within a framework of responsible parliamentary

government, a ministry's political undertaking is no better than its tenure of office. Ministries and ministers come and go, and so do Members of Parliament and of legislatures.

It is even more preposterous and more dangerous to argue that one government's political commitments bind later ministries and legislative bodies and their judgments on constitutional amendments. All this is to say what should be obvious: the amendment processes, whatever they are, should be respected and not abused. They were not, in my view, respected in the attempts to secure passage of the Constitution Amendment 1987.

Apart from the myth that Quebec had been promised its enactment, there was a further and more dangerous myth that the 1982 constitutional reforms had represented an outrage upon Quebec, for which the rest of Canada, to use the Honourable Lucien Bouchard's term, must atone. This myth was given currency by, amongst others, the Prime Minister of Canada and the Premier of Quebec. In the interests of historical record, and I stress this because the myths, as they're current in Quebec, are extremely dangerous and extremely damaging; three years of this have not gone wasted, public opinion in Quebec has been inflamed in consequence.

I would like to stress, first of all, the 1982 reform was an overwhelming success for the common front of eight provinces, and they included both Alberta and Quebec, and the common front obtained, most notably, first an amending formula, which was their own proposal with limited modification. This amending formula which we're looking at was basically Quebec's and Alberta's amending formula with some modest changes, and secondly an override clause allowing the legislature of a province like the Parliament of Canada to free itself from most of the limits imposed by the Canadian Charter of Rights and Freedoms, and in fact, these were the primary objections of the eight provinces who were objecting to Mr. Trudeau's unilateral patriation proposals, and they got 95 percent of what they wanted in 1982.

The second correction to the historical record is that the Quebec government itself in the end objected to only three aspects of the 1982 reforms. This was explicitly and publicly stated by Premier Levesque on various occasions. He sent a letter to Margaret Thatcher. Margaret Thatcher may have carried out of 10 Downing Street the other day a letter from Premier Levesque which said there were only three points; the education

clause, the opting out, the compensation in the case of opting out, and the entrenchment of the mobility guarantee. Those were the only three things outstanding in 1982.

The third point I want to make is that although now, in a revision of history, Premier Bourassa has for the last few years been saying there was an outrage in 1982, the Quebec Liberal Party opposition in the National Assembly in 1981 and 1982 took the position that the Parti Quebecois was seeking to prevent a settlement with the Government of Canada by escalating its demands in the course of negotiation; they were in fact doing that. The demands kept increasing. The Liberals in Quebec in 1981 and 1982 were saying that there was a failure then not because of anything to do necessarily with the behavior of the other provinces or the Government of Canada, but because the Parti Quebecois were negotiating for failure. Now Mr. Bourassa has been saying there was an outrage in 1982; that was not what the Liberals were saying in 1982, but for three years these myths, the alleged outrage of 1982, the alleged promise of ratification of Meech Lake, were being propagated assiduously. Meech Lake was said to be the last chance for Confederation; rejection of Meech Lake would be repudiation and rejection of Quebec. It's scarcely surprising, then, that just as in a Greek tragedy, the principal figures in the Meech Lake drama have brought about the very result they sought to avoid.

Though I opposed Meech Lake, I accept the legitimacy of the five concerns which Quebec advanced at the outset of the negotiations, and I believe they always were and still are capable of accommodation by balanced measures of reform. I think it would still be useful to prove this to Quebec, and I hope that while you look at the amending formula, not only because it concerns the means by which reform is achieved and also is a subject in which Quebec is interested and which it was one of its five concerns, I think we have to make sure that we keep a wider perspective and indeed show to Quebec that those five concerns, they weren't chosen by accident, they weren't chosen by random, they were real concerns of Quebec, can be met and should be met. Now, therefore we look at the amending process in itself because it's a subject of study, and we look at it as a means.

What can you do in terms of housekeeping? Well, the paper which I've circulated to you, which I won't attempt to repeat here because it has a lot of technical matters, includes a number of what I

might call housekeeping concerns, some more important than the other. One item is the three-year time limit. Well, a three-year time limit presumably should apply to all the bilateral and multilateral processes. As things now stand, it seems to apply only to the Section 38 process. Perhaps it should apply in general.

Then there is the question of the operation of the three-year time limit. I give you the hypothesis of a situation in which you had a proposal by the House of Commons today, it passes a resolution for a Section 38 amendment; and today is November 30, 1990, and let's say in November of 1993 you get six provinces with a majority of the population passing it and a Senate of Canada, but the next day, December 1st, 1993, the seventh province passes it. As the scheme now stands, that amendment will be dead because three years have passed before the seventh province acts, even though most of the resolutions were passed in that last month. So perhaps the time limit ought to be so constructed that you have a stated time span in which the amendments must be grouped as opposed to starting it at a certain date and ending it at a certain date.

I discuss also the question of the minimum time period of one year. Well, the minimum time period of one year for Section 38 amendments is really there to allow all provinces a time to dissent, because up to three provinces can dissent and block an amendment under the general procedures, so you have to give them time; you can't have all the Houses meeting overnight and passing it and then one province isn't in session and can't pass it. Well, I think this may have been a mistake, but the three-year time limit even applies, it seems, to the Section 42 amendments dealing with Senate reform, dealing with Supreme Court reform. The result is that you can't pass those in less than a year even if you could get the consent of the seven provinces necessary to do so; the other three provinces couldn't block it, but you still couldn't pass the amendment, so that's something to look at.

I also look at the question of the hierarchy of the formula. Sometimes you may have to make, it seems, awkward choices. You might think well, if you've passed an amendment by the unanimous consent process, what more can you do? If the unanimous consent process is satisfied, then every other formula is satisfied. That's not necessarily the case, and I suggest the draft clause to make it clear that these things stand in a hierarchy co-relationship to one another, so that when you satisfy a more difficult

formula, so to speak, you are automatically satisfying the less difficult ones also.

I suggest making public in the Canada Gazette by proclamation formalities of dissent and revocation of dissent. For example, since up to three provinces can block or opt out of a Section 38 constitutional amendment, which would not apply in the provinces which have opted out, you want to know where in Canada a constitutional amendment is or isn't in force. To know that now, you have to look at the journals of the legislative assemblies of each province. In my view, a much more public mechanism should be possible.

I look also at the question of choice of alternative amending processes. It seems to me if Alberta, for example, decides it wishes to have a unanimous consent constitutional amendment, it should be able to say we are starting a unanimous consent process, and that's the one we intend to be carried out, and it should be able to indicate that in its resolution initiating process.

A further point is the official language of constitutional amendments. There's nothing in part 5 now to require these amendments except for the ones applying to particular provinces, bilingual provinces. The multilateral and unanimous consent provisions, bilateral and multilateral procedures, don't have a language requirement in them as a matter of courtesy to Quebec. That should be desirable.

I point out also that the present formula puts the proclamation power in the hands of the Governor-General instead of the Queen, who is usually the person in whom legislative power is deposited or in whom it is reposed. That is perhaps a cosmetic issue.

Also, there's problems as to the nature of the parliamentary majority required for certain purposes in part 5; there's a little bit of confusion about that. There are problems in the special arrangements procedures in Section 43; for example, Section 43 says, "boundaries between provinces". Well, clearly it means boundaries of provinces. Alberta has a boundary with the North West Territories; clearly there isn't going to be one rule for changing its boundary if it's a boundary with the North West Territories; and in another rule, if it's the boundary with Saskatchewan; in a third rule, if it's the boundary with the United States. So there are details there.

There are lots of housekeeping matters which don't address the very largest issues, but where you can improve this mechanism.

Well, now what about, just for a minute or two, the largest issues: Quebec's veto. Well, whenever, and it arises many times in the kinds of reforms you might want to consider, the question of a veto for Quebec or a veto for other provinces. Quebec has insisted, essentially, that it wants always to have either a veto or a right to opt out with full compensation. Either, it seems, will satisfy them, but when you have vetos, of course the question is equality of provinces; must everybody have a veto.

If you insist that the provinces be equal, and there are many people very reasonably who feel they should be, then of course you complicate the process and you ensure that everybody must have a veto, and the process becomes very difficult. What was done in Meech Lake with the list of the items in 42, the Senate, the Supreme Court is on, was to put them under 41. That would have meant unanimous consent in every case. Some thought that there was too much unanimous consent already required. Well, then you have to deal with that. One possibility, of course, is to say you could dispense with the consent of one province or maybe two provinces if the amendment were passed again in the House of Commons by a specially large majority and if the provinces which agreed represented, let's say, 80 or 85 percent of the population. That's something you can look at.

Secondly amongst the larger issues is the outstanding issue of compensation for opting out of Section 38 amendments, which Quebec insists on because the compensation right isn't wide enough for them as things now stand. Meech Lake did give them this concession; I am not all that keen on fettering the Section 38 process more, with more obligations of compensation, but that was a concession already made to Quebec, and I wouldn't be intransigent on that.

As regards veto powers in general, I point out that linkage is a very serious problem. Now, everybody says Meech Lake failed because of the unanimous consent requirement. Well, there were a lot of items in Meech Lake which could have been passed if all the Houses had wanted to agree and all the provinces in federally, or seven of them, seven out of the ten provinces, could have been passed without unanimous consent, but when you link everything in one package, you then have to satisfy the most stringent

requirements; and not only do you have to satisfy the most stringent requirements, but you cumulate opposition. Everybody who's opposed to one bit of the package becomes opposed to the whole package, so that when using the constitutional amendment process, you should keep linkage down to the absolute minimum, quite apart from any question of unanimous consent.

The last point, or the second to last point, is the referendum. The referendum is very sensitive. When Mr. Trudeau's proposals included the referendum, Alberta was one of the provinces which was opposed to it because, I think quite frankly -- and in Quebec they were even more opposed to it, because when the voters instead of the legislative assemblies decide whether the Province agrees or does not agree, somehow things seem to be out of hand at that point; and I think, for example, the Quebec government was afraid that the Quebec electorate would tend to listen to Mr. Trudeau and pass things he liked and would tend to agree to amendments desired by the federal government even when provincial assemblies would oppose them, and that was a major obstacle to referendum. The referendum is a particularly sensitive issue.

Then there's the largest question, or one of the largest questions, what groupings of provinces should be necessary for constitutional amendment if you don't require unanimous consent? That takes us to the Victoria Charter schemes, which were basically structured on six provinces; two Atlantic provinces, with population constraints sometimes; two western provinces, sometimes with population constraints; a majority of the provinces overall. So it's clear that six provinces are easier to get in support of an amendment than ten provinces, but then again, which six provinces? All these schemes grandfathered in Ontario and Quebec, though in a slightly disguised way; they would say that every province had to agree which have ever had 25 percent of the population. That gives Quebec its veto, but it doesn't treat all provinces equally. Are you in Alberta prepared to agree to that? Well, that is, in my toute de raison of the context of the formula and the problems which it raises, intricate questions of law and very broad questions of policy.

MR. SCHUMACHER: Thank you, Professor Scott.

My second speaker, Professor Allan Tupper, Chairman of the Department of Political Science, University of Alberta. His

principal areas of interest are public policy, federalism, and Alberta politics.

Professor Tupper will be well known to many of the Task Force members and those in the audience from his frequent appearances in the media as a commentator on politics in Alberta and on various other political issues, such as the Constitution.

We welcome Professor Tupper to today's session.

DR. TUPPER: Thank you, Stan; thank you, ladies and gentlemen.

I want to try and do three things in the few minutes I have before me; it's difficult for any professor to have time restraints. We tend to be the most self-indulgent of speakers, but kick me as the clock runs out on me please, Stan.

I want to do three things, essentially. First of all, outline the debate about the democratic process surrounding the Meech Lake process. Secondly, talk about some of the alternatives; and I think to be straightforward on this one, we're in the midst right as we sit now in Alberta to the Meech Lake process, and I think that is important to know.

Thirdly, I want to talk a little bit about some of the broader implications of the Meech Lake process because I think some of the things that were debated about Meech Lake aren't really directly issues of consequence or constitutional debates; they have much broader significance for the conduct of Canadian politics, both nationally and provincially.

The next thing is sort of professorial, and that's all the qualifications, and there's three or four qualifications to some of the points that I'll make. One of them is that I come before you as, I think, genuine modesty. I have no compelling theoretical interpretation of the Meech Lake events, and I don't think anyone has yet to do so; and secondly, I have no blueprint for reform of the process that is in any way watertight; I merely have some suggestions.

Secondly, I would highlight a point Dr. Scott made. I think we have to avoid falling into the trap of arguing that more democratic processes, however one defines more democratic, will lessen the conflicts of interest at stake.

If you will recall, just turning the clock back five or six months, after the collapse of the meetings in Ottawa, there was a widespread but very romantic set of notions in the media and in academic

circles and in political circles to the effect that if we had a different process, this wouldn't have happened. I'm not so sure that that's at all correct. There are some very deep conflicts of interest that divide Canadians, that divide Canadian governments; certain processes might make certain accommodations easier, and certain processes might make them more difficult.

I would say just as an aside and a sort of editorial, I think the Spicer Committee is very much imbued with the idea that if we only talk to each other more, things are going to get better. The sociologists among us might wish to speak to that sort of proposal, but as a political scientist, I don't believe that really is the problem. I don't conceive constitutional debates as being essentially because we don't understand each other. A lot of people in response to the Spicer Committee said our position is the position we've held now for five or ten years. This is merely another vehicle for articulating it.

Another thing that has to be stated in all this, before I get to my remarks, another caveat of sorts, there's a lot of things we don't know as scholars observing these processes. One of the questions is how many people supported the content of Meech Lake but disliked the process that led to Meech Lake and hence did not support Meech Lake? Conversely, how many people used democratic arguments in effect to say "I don't support Meech Lake", when in reality their concern was a substantive one? The point that I'm going to make now, and I'll allude to it later, is that there's a lot of what I call strategic democrats, that people who are democratic simply to the extent that democratic arguments foster their own particular viewpoint, and I think there has been a lot of that. This is one of the reasons that the reform process will be difficult, because people say I'd like a referendum today, and what they really say is I'd like a referendum because I think on question (a) I'll win; but tomorrow question (b) comes up, and they think they'll lose. Well, referendums shouldn't be had. I think this has made the process very difficult. Somehow we have to separate these things and make them somewhat less partisan. Anyway, those things having been said, I'll talk a little bit about the process and some of the arguments about it.

I will spend more time about the criticisms of the process because there is a very powerful consensus among academic observers, among journalists, and I think among interest groups that the process leading to Meech Lake was flawed and severely flawed. I would also argue now, six months after it, most Canadian politicians have accepted the fact that the

process was flawed, so it's almost unanimity; there are very few defenders of the process left.

One only has to look very superficially at some of the briefs, many of the briefs and arguments advanced before parliamentary and provincial government committees, to get a sense of the very deep anger that Canadians felt about their exclusion from this round of constitutional making. They felt that it directly affected their interests. In effect, the arguments against the process are the following: Unlike 1981 and 1982, that constitutional round, Meech Lake was not preceded by an intense public debate about a fairly well understood constitutional agenda. I think those conditions held in 1981 and '82; people understood what was on the table, essentially, and what the issues were. It was further argued, as Professor Scott has mentioned, that Meech Lake was conceived in secret and essentially sprung on an unsuspecting public.

The second basic critique of the process was that it was dominated and orchestrated by the 11 First Ministers. To cite one observer, Canadian citizens were the audience, and a not very active audience until the very end in a lot of ways. More importantly, the First Ministers were not seen to be representative of a whole range of vital Canadian interests, and I'll return to this point, but it's a very important one.

The third basic problem with the process, and this is I think a very deep problem that we cannot repeat, was of course that how can you have democratic participation and debate about seven constitutional amendments that the Prime Minister stated from day one were unamendable and unchangeable? As soon as it was articulated that Meech Lake was this thing called a seamless web, there was very little left, and until the commissioning of the Charest Report six months before the end of the fiasco, the federal position and, in effect, followed by most of the provinces, was that we couldn't change it anyway, except for this notion of egregious errors. This was a very serious problem.

Related to this, and in a very political way, the Meech Lake debate was different from the '81 and '82 debate because all the major federal parties agreed. There was no dynamic that should flow from a competitive political debate that would have and did unfold in Parliament in '81 and was a very, very serious problem for all of us.

I think it's now well known how the process

culminated in the very difficult meetings in Ottawa in June, where we witnessed the spectacle of weary, angry men fighting about options which, because of the secrecy involved, were neither known nor understood by Canadians.

Just a small aside here, at the university when these events go on, we frequently receive calls from citizens all over the province, particularly in Edmonton, saying what is going on, what does this mean, what is the amending formula about, and so on. During that week in Ottawa, the range of interpretations of events people were advancing and asking us to try and interpret were unbelievable. Every possible conspiracy theory was thought to be valid, and ultimately how could we say anything else if we don't know any more than you know? We don't really think it could be quite that bad, but it was entirely secret, there was very limited coverage; the people from the media can highlight the enormous difficulty they had in trying to figure out what was going on. The cynicism was, of course, deepened by the Prime Minister's varied and temporate remarks about the whole process, the rolling of the dice; I needn't go into this any more.

Let me step back and try and highlight a couple of points about this very quickly. The arguments about this whole process of major constitutional and political decisions being made through this process of executive federalism, that is through the bargaining between the Prime Minister and the ten ministers, has been criticized for a long time.

I cite you an article with a humorous title by the late Donald Smiley called "Federal-Provincial Relations Among Consenting Adults." Smiley argued in 1978, when he wrote that piece, that executive federalism was too secretive, it dampened public participation and important decision-making, and it tended to weaken public accountability.

Those arguments, as I said, are not new, but the Meech Lake debate added a very new dimension to the critique of executive federalism, and a much deeper one. It called into question the entire legitimacy of the process, and that is, it said that the 11 First Ministers did not represent the interest of third-force Canadians, that is those whose ancestry is neither British nor French; aboriginal peoples, women, and disabled people, to name a few. This is how you get into the almost famous line now that we cannot trust the 11 able-bodied white males. That is part now of our national consciousness, that argument, in that it is a much deeper critique than the

traditional one of executive federalism. It says the First Ministers no longer represent basic Canadian interests and cannot be expected to do so.

Now, what accounts for the deeper concerns about the process that have emerged in recent years? I think there is a number of things that are going on. First of all, with the advent of the Charter, the range of Canadian interests that define the Constitution as important to them has massively expanded compared to our previous periods of constitutional change. Many, many Canadians and their interest groups now, to use the contemporary word, see themselves as stakeholders. They no longer accept the argument and the traditional Canadian argument that constitutional amendment is governmental business exclusively, and one very well-known political scientist, Professor Alan Cairns from UBC, has argued that we really have two constitutional agendas; one which he calls the governmental agenda, which focuses on federal-provincial questions, the place of Quebec, the amending formula; one which he calls the peoples' agenda, which focuses on rights questions; and Meech Lake showed that those agendas really could not be met under existing processes, and of course with this broadening of people who say the Constitution is my business just as much as it is your business, means that the traditional executive federalism process cannot work very easily.

The other thing, and it's partially a function I think also of the advent of the Charter, that the executive federalism process, the traditional process, was very much dependent on Canadians being deferential to political elites; that is, accepting that people who held high public office knew better than they did about political matters. For all sorts of reasons, that deference is no longer with us; Canadians, and we've seen it through the Meech Lake and many other processes, are much less willing to entrust their constitutional and political fates to political elites. In that sense, our political culture is becoming much more American in one sense in that it is much less deferential to elites; we are much less willing to say those who govern us always know better.

Now, just very quickly I want to skip some points and maybe get back to them later.

What can we do? It seems to me the status quo is unacceptable. No future constitutional changes of consequence can happen in Canada using the processes through Meech Lake. That, at least, it could be argued, certainly, but that is my view. It is simply impossible to do so, and the

Meech Lake process made that evidently and powerfully clear.

Therefore, what reforms are in place? It seems to me to make the matter as simple as possible there's really two avenues of reform. One is essentially to reform the status quo, and that is to assume that the Constitution making will continue to be primarily handled by governments through intergovernmental negotiations, but with very substantial changes.

The changes that are required are in the following vein, at least, without being terribly specific: Future Constitution making at both the federal and the national level must be preceded and followed by genuine public debate and that governments must approach the articulation of constitutional positions, with openness and with the view that amendments to their initial positions must be undertaken in response to public participation; and as I said earlier, the sort of forum that we engage in today and the sort of undertakings that the Provincial Government of Alberta has put in place are within this notion of fairly significant reforms, but within the basic parameters of responsible government.

What I would say is a slight variation of the format would be that we should begin with a White Paper saying: Here is the government's intention, these are our ideas, but they are not fully crystallized yet. Those should be followed by hearings primarily, and I think in most instances, by all parties in the Legislature. From there the government would respond, firm up its position, present it to the legislature, have further hearings, and then proceed to the broader negotiations that would go on.

Further, I think there ought now to be national referendum on major constitutional questions. This is not a radical proposition, and it is not at variance with the notion of staying within the parameters, I think, of responsible government. The Pepin-Robarts Task Force on National Unity, when it reported, argued for referendum and made the case that major changes ought to be subject to ratification by all Canadians in the national referendum, subject, I would add, to the existence of majorities in each of four regions; the regions being defined as Atlantic Canada, Quebec, Ontario, and Western Canada; and that, of course, could be modified, but I think that has to be done.

There are major problems with this even at this level of reform. One of them is that all provinces will have to accept the same procedure, and this will be very difficult because if you think back on the

Meech Lake process, there are enormous interprovincial variations in the way that governments dealt with the question of public participation. It would involve an agreed upon and acceptable idea, and every province should have essentially the same process because it is very difficult, if not impossible, to argue, for example, that people in Ontario should have lesser opportunity to influence their government than people in Alberta.

There are other problems that I could deal with, but these are -- well, there's one other that I would mention very briefly, and that is it is not yet understood, nor has it been satisfactorily examined, how, for example, given that governments ultimately will come together to negotiate constitutional positions and that all the other provincial positions are very important, how does a citizen of this province, for example, influence the position of the province of Newfoundland or Prince Edward Island or of Quebec, all of which can have a very direct bearing on their constitutional success, but this process makes this very difficult.

The other sets of reforms are very different, and they in effect argue that we abandon the governmental perspective in any sense and move towards some set of popular assemblies whereby governments might be part of them, but they would be represented in a minority position, essentially, and that Constitutions would in effect be defined in future by citizens selected democratically, one would assume. There is very little Canadian discussion of this, but the point is, if we fail in putting together other alternatives, the legitimacy of these broader, more deeply grass-roots processes will become even greater, and I think this is what has happened with Meech Lake, that it's really opened the agenda for Canadians to say we have to look at different ways to do this.

Some of the ideas that are now commonplace would have been radical three to five years ago, but the agenda has shifted because of the utter failure of the process in Meech Lake, and when that happens, arguments that were radical a few years ago become mainstream, and so if the sorts of expanded public hearings within responsible government fail, there will be further incentive for reform and will get us into ideas that, as I said, a few years ago would have been either utopian or radical. The status quo, I think, is completely debased.

To highlight one other point, and I just have this and a concluding point, it is very important in these debates to understand that

people approach the question of democratic process strategically, and as I said in my introductory remarks, that people who have substantive goals to pursue or if they wish to block other people's goals, tend to become very democratic when it is in their interest to do so. I'm not naive about these things; the debate about the process will continue to be governed by the interplay of fairly raw political forces, but there must be some dispassion interjected into this, and we have to at least understand and be prepared to disrobe those who are really what I call strategic democrats, who essentially dress up substantive arguments in the gowns of democratic virtue, and I think that has to be understood and avoided at all cost.

The very last point is, does the Meech Lake debate really tell us about constitutions, or does it say something much deeper about Canadians' views about indirect democracy as it has come to operate? Is it symptomatic of a deeper malaise about the way we conduct our public and in some ways possibly private lives; is it a critique of large-scale public institutions? I don't have the answers for this, but I think there is some truth to that. I think there is a very strong sense that Canadians are going to look towards reform of their institutions at all levels and in all contexts, not merely constitutional, which encourage and generate greater public participation. I obviously don't have time to get into this, but I think the point is simply this: I don't believe Meech Lake is the problem per se; I think there is a deeper critique underpinning this of the way Canadian democracy has unfolded.

That having been said, that could be taken as pessimistic, but I don't regard it pessimistically at all. In fact, I am prepared to argue with those who see it as "a problem." It seems to me really what is going on is that we are seeing a maturation of Canadian democracy. People are saying that they wish to participate fully and directly in important public decisions, and in my view, to restate, this represents and reflects a changing, more mature, and ultimately richer variation of democracy.

The very, very last point is that contrast that vision of a richer democracy with the one that we have seen in the last year of an apathetic and cynical group of Canadians who feel very much shut out of important decisions. It seems to me that far from seeing the Meech Lake debate as a problem, it should be seen as a major opportunity.

Thank you.

MR. SCHUMACHER: Thank you very much, Professor Tupper.

Just to set things off on the roundtable, you mentioned that you think the general public has got to become much more involved in the future constitutional questions, whether it's amendments or new Constitutions or whatever. Some people have said that you hope public hearings are held; sometimes these public hearings tend to be dominated by interest groups as opposed to individuals, and really the elite of those interest groups don't really represent the public's point of view on those things. Could you comment, or each one of you, comment on that argument, and whether or not this is a real problem in trying to change our Constitution to represent the problems that are before us now? Professor Tupper?

DR. TUPPER: It's an important point, and it's one that has come up frequently. I would argue that, simply to make mention of the Spicer Committee again, that is one of the underpinning political strategies, to by-pass interest groups and to generate this dialogue.

In some ways there's some truth to it, but there's some very deep problems trying to by-pass interest groups. Interest groups have become much more prominent because political parties have become much less effective as vehicles for intermediating between citizens and governments, and I think with that premise, a lot of people would like to wish interest groups away, but they are now a very important part of the public political process, and to really undercut interest groups would really, would in my view, require some very deep changes to a lot of things we do.

So yes, there's concerns, but major interest groups are very much part of this process, and I think a lot of them would very much argue with the premise of your question that they don't represent their constituents; I think that is a political decision that has to be made and that it is the elected people who ultimately would have to make that judgment about whether or not they found interest groups representative or not.

One very last point on this is that when you look at the range of interest groups, though, that they themselves are mere divisions within their constituency. Women's organizations have a whole range of groups with very different values, all of which articulated their positions before the various committees, but ultimately I think it's a question of political judgment as to whether they are representative or not.

MR. SCHUMACHER: Professor Scott?

DR. SCOTT: I've talked long enough; I think I'd rather respond to points which some of the members of the Committee would like to make.

DR. SCOTT: Mr. Bradley?

MR. BRADLEY: Thank you, Mr. Chairman.

I'd like to thank both of the presenters for their viewpoints on the constitutional amending process.

I guess the question I wanted to put forward was that given where we're headed, with the Belanger-Campeau Committee in Quebec reporting in March of this year, and likely a process that's going to come forward, they are going to negotiate a certain position vis-a-vis the rest of Canada with their sovereignty association or some other model. Our current constitutional amending process doesn't allow for this situation. Do you have any recommendations to us as a province, as a government, as to what position we should be taking in these unusual circumstances? How in fact do we structure such negotiations if they in fact do take place, what sort of process do you see, how do we participate in that? Some are suggesting it's going to be a bilateral process between the Federal Government and the Province of Quebec. Surely the rest of Canada, the provinces in a federal structure, would want to have some say in such discussions.

This is a new card on the table, and what's your approach? I mean, the current amending process doesn't allow for this. What sort of process or structure could you give us advice on?

DR. SCOTT: Well, obviously the present legal formulae are in place, and any legal changes are either going to be revolutionary changes or they're going to be changes within the current legal system, and if they're within the current legal system they have to comply with the processes.

Now, what mechanisms of negotiation you have outside the processes to reach arrangements which can then be enacted is another question again. Quebec, of course, is at present saying fine, we're one actor, and we're going to deal with the rest of Canada; Canada's the other actor. Partly that's a political position basically saying we're a distinct or

distinctive society, and you're somebody else, and now we're going to deal on that basis; so this is partly a sense of a more proper and a response to wounded feelings.

If you asked me what to do, the first thing I would do would be to convince public opinion in Quebec that the rejection of Meech Lake was not a rejection of Quebec's five concerns, and if they were serious about those five concerns, didn't pull them out of a hat, that you can satisfy them and you can have balanced and acceptable reforms which are generous to aboriginal groups, linguistic minorities, ethnic groups, which don't draft a scheme, a declaration, interpretation clause which looks like a regulation about frozen juice. If you read the Meech Lake interpretation clause, it talks about people concentrated here, certain linguistic groups concentrated here and concentrated there, and it's a nightmare, and it looks like a regulation about frozen juice; it's just absolutely absurd.

Come back to Quebec, say yes, we recognize your distinctive identity, and here are proposals and here is how we'll meet all your concerns if you're still interested in those five concerns, if you are serious about them; we did not reject them. Then I think that you should be showing to Quebec how you could meet those five concerns.

Then you say, well, how's that all going to fit in the current negotiation, is there going to be a negotiation, what will Belanger-Campeau do? Belanger-Campeau will likely use various phrases about sovereignty, public opinion is inflamed, Quebec could opt for independence, but there is more likely to be some room for a negotiation and manoeuvre, and I really can't tell you how to go about those negotiations.

I do look at the amending clause from another point of view, and I say fine, suppose Quebec says fine, either you accede to our demands this time, or we leave the federation. How does the amending clause apply to that? Well, if you say how does Quebec leave the federation under the present amending clause, an argument can be made that Section 43, since it allows federal territory, if you like, outside any provinces to be put into a province or vice versa where extension, extension of territories, extension of provinces in the territories takes the two-thirds procedure, but the province's boundaries can be -- the province can convert itself into federal territory; under the bilateral process, Quebec could become like the North West Territories and then given independence; in other words, independence can be achieved by

bilateral measures between Ottawa and Quebec. That's one possibility.

Another possibility is that the two-thirds or the unanimous consent procedure must be used because Quebec is in those procedures and so on and so forth. My own view is that if Quebec is going to proceed by legal means and not by revolutionary declarations of independence, then the rest of the country should take the position that we do not necessarily agree that you have the right to independence; the rest of the country should say every part of the country belongs to all of its people and that provinces exist like irrigation districts or municipalities to exercise the powers given to them by the Constitution for the time being, and that if Quebec insists, and the Government of Canada is not prepared to have violence and hostilities, prepare to say fine, if you want to re-open the question of the boundaries of Canada, we have to re-open all boundaries; no boundaries are that sacrosanct, and half or two-thirds of Quebec consists of Hudson's Bay Company territory added to it since Confederation and the Boundary Extension Acts of 1898 and 1912, the populations there, to the extent there are populations, are aboriginal.

Quebec is in no position, if it comes to confrontation, to hold these territories, and simply say well, we'll hold referendums there if you're going to hold referendums elsewhere. So to say to Quebec look, within the present Canadian context negotiations can be achieved and results can be achieved and we will do that and we do not accept threats, that there will unilateral declarations of independence, but we feel Canada is still one country and that the decision as to future constitutional reforms must be a decision within the constitutional context, but we will approach them sensitively.

You have, in other words, three or four questions, I think, in your question: what if, as well as what next, in a sense.

MR. BRADLEY: That's correct, and I assume that what will happen is that Belanger-Campeau will come up with some recommendations with the Quebec government, the Liberal Party will make some determinations, and most likely a referendum of some sort will be held there to back up their constitutional position, which will then take to negotiations with Canada.

DR. SCOTT: They have a tendency to make vast and wholesale demands for spheres of power. Over the last 30 years that I've been looking at

the constitutional process there, you don't get, well, what kinds of balanced measures can we have in the interests of the citizens. It's always what more powers does Quebec need, and I got an invitation from Belanger-Campeau to submit a brief, and that's basically the attitude. What more powers should Quebec be given? So I think what you may well come up with is some fast and extensive series of demands which would basically destroy the federation in order to save it, in other words; are you prepared to destroy the federation in order to save it?

MR. BRADLEY: The question is that Meech had certain redistribution of powers or additional powers which Quebec and other provinces would; again, that seemed to be unacceptable to the constitutional amending process of the country at the time. Additional demands for additional power, I don't think is going to be seen by the rest of Canada as being any more desirable than those powers which were conferred by Meech Lake. I think you come to a stalemate at some point.

One of the points of my question was how do we as a province become party to these negotiations between Quebec and Ottawa? Surely we should have, as other parts of the country, some role of these discussions.

DR. SCOTT: Whether Ottawa in a sense is an umbrella for the Federal Government and everybody else, or Ottawa is Ottawa, is of course the issue. In effect, unless you say well -- if Ottawa might be able to give Quebec independence by bilateral dealing, that's possible; but it can't reform the Canadian constitutional structure without bilateral dealings, so no matter what posturing goes on, they have to come back to Alberta and everybody else to implement these measures, the measures or reforms, so whether the negotiations are allowed to go into the posture of a bilateral negotiation or whether it takes the form of a multilateral negotiation, the reality is that behind any fictitious bilateral negotiation must be a multilateral negotiation, so then you might as well say to the Federal Government look, we want this up front, and let's not start with posturing; let us get back to a multilateral table. You need us in the end anyway. They can't implement any constitutional reforms, short possibly of independence, without coming to Alberta and British Columbia and Newfoundland.

MR. BRADLEY: Going to the first extent of this argument, if Quebec does in fact go to a unilateral declaration of independence and that takes place and the country somehow does break up, is the current constitutional amending process, is that applicable to what is left of the country?

DR. SCOTT: Presumably yes, and unless the constitutional amending processes, wherever they were, were complied with, Quebec would in law still be part of the country. Now, the Federal Government, not willing to send troops into Montreal, the one thing that one would expect people to shrink from is an attempt to keep order in the island of Montreal, but nonetheless, the Federal Government is well able to keep control of the vast hinterland in which the population, so far as it's there, has shown no sign of wanting to leave the federation. If Quebec is prepared to say boundaries are not cast in stone, then no boundaries are cast in stone. I don't think they can have it one way and not the other.

In other words, the duty of the Federal Government is to defend the territorial integrity of the country against domestic and foreign enemies; it's a legitimate exercise in the powers of self-defence. That's all the Federal Government would be doing, so basically we keep moving back and forth between whether changes are going to take place by legal means or non-legal means, and Quebec is proceeding, presumably for the time being, along the legal path with this threat in the background which some members in the Parti Quebecois have already articulated that maybe a unilateral declaration of independence is in order.

So in a sense, how you answer the question depends on whether you're talking about legal changes within the Canadian federal system or whether you're talking about revolutionary changes, and then what's the leadership in Ottawa going to do? Mr. Trudeau might have done one thing, and Mr. Mulroney might do another.

MR. BRADLEY: You've given us a lot of food for thought.

MR. SCHUMACHER: Professor Tupper, do you have any reaction to --

DR. TUPPER: Just very briefly, because I think a lot of other people wish to speak.

It's a very important question you asked, because it's been put off the agenda for too long, and we haven't really thought it through because there's always been the notion that asking the question will lead to the result; the more that we think about a Canada without a Quebec, if you want to use that term, the more likely it is.

We're very close, I think, to that situation, but we've always deluded ourselves in not asking the question you've posed. I think, to try and answer very quickly, that the Federal Government will not have the capacity to negotiate some very new form of sovereignty association with Quebec unilaterally. It would have to involve the other jurisdictions.

We also have to be very careful here, that I think we need some new language, really. What one person might call sovereignty association, somebody else might call a very decentralized federation and so on, so it's very difficult to say until we hear Belanger-Campeau, until we hear Mr. Bourassa and so on, to really debate what it is or to really answer the question because no one's sure, given Mr. Bourassa's history on this question, ever, what he's really thinking and what he's discussing. His musings about the European community and so on as a model could once again be very compatible with the form of a very decentralized federation that a lot of people in this province have said they could well live with, and we'd be better off with, a view I don't subscribe to, but it's very legitimate, so there's a lot in your question.

MR. SCHUMACHER: Professor Mansell or Professor Boothe, anything on this particular area, or will we move on to the next?

MR. BOOTHE: I think that there's lots of economic questions that suggest themselves with this question, but maybe we should save them until later on.

MR. SCHUMACHER: Honourable Dennis Anderson?

MR. ANDERSON: Thank you, Chairman.

If I might, I'd like just to add a postscript to your

initial question on the public participation, and that is the interesting comments made by Dr. Scott and Dr. Tupper, which I think all of us share, that Canadians now want more involvement in the constitutional process, have led Dr. Tupper, at least, to suggest that public hearing process.

My suspicion is that that process itself is probably not in depth enough to deal with the needs of Canadians, and we've seen that in some of our environmental projects where we've had extensive public hearings, and yet the feeling of public involvement per se in the decisions has got to be fully there, so I'm hoping that throughout our process of this committee we will hear some innovative ideas, and if anybody has them, I think they would be most helpful for us in terms of public involvement and yet a process that will work and reach conclusions, which is the tough balance.

Mr. Chairman, having added that postscript, I was interested in Dr. Scott's discussion on the package, the constitutional package, his suggestion that we in fact should not package constitutional changes, and I'm wondering if either of our presenters have the feeling that we could achieve what Quebec wants in confederation, and indeed what the rest of us do, through the section of the Constitution which allows for the seven out of ten, 50 percent formula, as opposed to unanimity. Is there a possibility of using that vehicle to achieve at least all of the needs that Canadians have in the next short period of time, because I do fear that we're in a circumstance where any extensive changes to the amending procedure is not possible before we have to reach other conclusions regarding the nation.

DR. SCOTT: Okay, well, I thought linkage was a bad thing and dangerous and undesirable. Sometimes linkage is inevitable. Obviously if one province says I'll give you this if you give us that, then there's linkage, and that's inevitable.

The situation in Meech Lake was that there were a number of concerns, and the rest of the country seemed to be prepared to accommodate them in principal, at least not in all the details, and a good many of them could have been accomplished under the general formula, under the two-thirds formula, not all. Most of the scheme about immigration/aliens could have been accomplished by that method. By the way, there's one little bit in there that I thought was particularly outrageous and no one paid any attention to, but nonetheless, most of the scheme on immigration/aliens could, and I see

no reason why that would have had to be linked.

Now, Quebec could say, well, we have five concerns, and we are not prepared to be part of the constitutional family unless these five concerns are met, in which case you say to Quebec okay, look, be upset until we've managed to do the five; we won't stop you from being upset today, but let's at least start making headway, and we will pass these. Now, you could have done most of the provision about immigration/aliens; a little bit would have needed unanimous consent because it altered the constitutional amending formula in certain respects, so most of it could have been done.

The provision about the Supreme Court of Canada, in my view, could not have been done; most of them could not because they concerned the composition of the Supreme Court, and that's a unanimous consent matter.

Then there were the reforms to the constitutional amending process itself, and those could not have been, but then there was also the provision for compensation in cases of opting out of federal programs, and I think that clearly would have been something which could have been done under the two-thirds process, and the Senate reform also could have been done under the two-thirds process; so that certainly, I think, it would have been highly desirable to show that a number of these measures were going forward, and some of them could be accomplished by the two-thirds process; and linkage should be avoided wherever possible, and a lot of things can be done under the two-thirds process. We can look at that a little more, and that, I think, is enough to deal with your question.

The two-thirds process has certain problems, particularly where the transfer is the other way; for example, treaty implementation and free trade is something I could talk to you for a couple of minutes about, but I'd rather not, unless you want to take that up; but nonetheless, a lot can be done under the two-thirds process, and of course, if you avoid linking matters which can be done under the two-thirds process with matters which require unanimous consent, then you have a much greater chance of getting them through, even apart from the question of cumulating of opposition. You make a package, anybody who doesn't like one element of the package, dislikes it enough, opposes your whole package.

MR. ANDERSON: It's interesting, Dr. Scott, that you continue to talk about the five elements that were there in the Meech Lake process. Some of us have the feeling that that process is dead and gone, that those five items are in fact not even those that Quebec are now discussing. Would you disagree with --

DR. SCOTT: No, I say they're not on the table now; but what I say is that the question of what's on the table, you know, you can put things on the table as well as they.

Public opinion has been persuaded in Quebec that its five concerns could not and were not being dealt with. I think you should say to Quebec not that these are the five concerns and you'll now be satisfied with them, but that you are prepared to deal with everybody's concerns, yours and theirs. They are prepared to deal with your concerns, you're prepared to deal with their concerns, and that since presumably Mr. Bourassa did not simply draw out of a hat five things that he was going to make an issue of and had some reason for giving some priority to them, say to Mr. Bourassa, look, if your five concerns really did have some priority in your mind, we are prepared to show you that there can be legitimate solutions to those concerns; and if you then say there are five more other things you're concerned about, we'll look at those two, and five more others, but don't link everything to everything else; don't start a state of affairs where it's impossible to reach a conclusion on it, solve any problem, because no one problem can be solved unless every problem is solved.

If we go into a state of affairs where no problem can be solved unless every problem is solved, nothing is going to be solved; so it seems to me to say to Mr. Bourassa, here, by the way, are things we're prepared to put on the table as answers to your previous points, and we're prepared to show them to Quebec public opinion, and if you have some other concerns we'll look at those, too. I don't suggest to you that we're now back in 1985. Very unfortunately, we are in a far worse position than in 1985 because the situation has been so badly handled. We've created a crisis out of it and the atmosphere is poisoned and bitter, and we've now gone beyond those five concerns as a bargaining position, but we haven't gone beyond those five concerns. If what we mean is that they are real concerns of Quebec, because some of them clearly are; the amending process is, opting out is clearly a

concern of Quebec; if it isn't, because it's that list of five, Quebec is no longer unconcerned with compensation and opting out of federal programs. Quebec has not ceased to be concerned with the amending formula; these are still there, these are dossiers which will remain as long as the federation remains.

DR. TUPPER: Could I just speak very briefly on Mr. Anderson's question. I think to answer it very directly, yes; I mean, the agenda is far beyond the five items now. Meech Lake, in its basic political strategy, was the last-ditch effort to reconcile moderate Quebec nationalism with federalism, and once that is out of the way, and it failed, immediately in Quebec the government began looking at things like division of powers and so on. The agenda is much broader.

On Mr. Scott's comments about this, you assume the Federal Government has its own agenda; it doesn't. This is really an enormous problem we face.

DR. SCOTT: That's the problem that Mr. Mulroney -- frankly, if we're going to talk about brass tacks, I feel that Mr. Mulroney acted as a broker simply going around; he did not represent the interests of the ethnic minorities, the linguistic minorities, and so forth and so on; he was prepared to agree to anything the provinces were prepared to sign.

He finally did do so, but since there was nobody at the table representing the linguistic minorities, the ethnic minorities, the aboriginal groups, you had a deal which then came unstuck once these people were allowed to see what had happened.

Unfortunately, Mr. Mulroney may have many talents, but one of them is not a sophisticated understanding of these constitutional issues. I believe fundamentally that Mr. Mulroney has been put in charge of handling matters of the utmost sensitivity as to which he had less than a minimal understanding, and you now have a crisis and consequence of it. No one represented the Federal Government during the Meech Lake negotiation; there was a broker there, but no party there. The Federal Government was not a party to the Meech Lake.

DR. TUPPER: The agenda is very large. This is the upshot of it, far beyond the five basic points.

MR. ANDERSON: Can I just, a last follow-up, Chairman, because the statement was made with respect to linguistic minorities, other minorities not being represented at the table, would either of you advocate that in fact special interests be represented at the table? I know you believe they should be represented in the public input process --

DR. SCOTT: Well, the point is, obviously there are tremendous difficulties in formal representation of all these groups because what's an interests? I mean, if you set up a scheme where you set up a chamber of corporations, I remember 30 years ago Daniel Johnson had a new idea for a Quebec Upper House, and frankly it sounded rather like Mussolini's chamber of corporations, and all interests were going to be represented, but when you'll actually see, fine; how do you represent interests? Do philatelists get one seat, do chess players get one, or what do you do? I think it's very difficult to have a process where formally interest groups are represented because there's no end to it.

However, you can have a process like this process, the way this process is going to unfold, whereby people have a hearing, whereby people are heard, whereby people's interests are taken into account. The document I've circulated to you was something which originally was at a meeting, and it was a much shorter document, and as people -- the ethnic groups said well, the statement of the nature of this country doesn't reflect our interests, and linguistic minorities said it doesn't reflect our interests, the aboriginal people said it doesn't reflect our interest; I tried to include them in.

This is a document premised on the assumption that you can include people instead of excluding people and that you can have a fair statement of the nature of our country, not in a language looking like frozen juice regulations, but you people as practicing politicians are every day concerned with what? Reconciling conflict, finding common bases of agreement, trying to find solutions which people can live with, including people rather than excluding people; that's what your bread and butter is, your daily work is. The point is that's the way the constitutional process should function, but you have to hear people to do it. No, you can't have them all sitting at the table, but yes, you can hear them and honestly reflect their interests.

MR. SCHUMACHER: Mr. Day?

MR. DAY: Thank you, Chairman.

Professor Tupper has touched on somewhat of a pulse point on not just the Canadian political scene, but I think in the western world, and that's this need to mesh the agendas, the agenda of the so-called political or elected side and of the people, to mesh the two, the challenge. In a way there's a touch of irony and a touch of tragedy as we recognize that if the political side is put there by the people, why indeed is there any need to mesh the agenda, but it is a perception that's out there. People feel there needs to be a bridge in representation, and because of that, I think we will see more, a demand for more referenda.

So I've got three questions to Professor Tupper that I'll frame to allow for brief responses, and one to Dr. Scott which will allow for a brief response also.

If we are going to move to more referenda on some of these national questions, and somehow meshing that with the amending process, should the results of referenda be binding, and I say that realizing that a political group that would reject referenda does that to their own peril, but that's a political question. Constitutionally, should it be binding?

Then you talked about if referenda are to be done, there should be four areas represented. If one of those areas does not get a majority and the other three do, how do you see that being dealt be with?

Then you talked about constituent assemblies of citizens on certain questions and that the previously elected people would be a minor part of that. How do you see ad hoc constituent assembly, elected people, having more validity than the presently elected ones in whatever jurisdiction? People talk about the scary thought of layers of bureaucracy. Layers of politically elected people is equally as scary. How do you give credence to those people as opposed to the ones previously elected?

DR. TUPPER: These are difficult questions, each one, but I'll try and be brief.

I guess my view is that the referenda, if we were to get there, would have to be binding. I would see them as being a very

limited usage, that they would in effect, having agreed to a series of constitutional changes, they would be subject to binding ratification by the Canadian people, that it would not be a plebiscite -- or an advisory referendum as, for example, the Conscription referendum in the Second World War was essentially a plebiscite and was not adhered to. I think in this case it would be, as some of the American states, it would be binding, not advisory. I think that would ensure the legitimacy of the process.

Secondly, on the question of regional majorities, the possibility of one region saying no to something and three others accepting it is very real. The thing fails, and it is understood to be a rule of the game, and once again the argument about the referenda assumes that you can agree on that, in effect, regional veto or the need for majority. It could be five regions, by the way. B.C. has always claimed to -- their constitutional proposals don't see them as part of the west, but that's neither here nor there.

If the argument is, is this a sort of recipe for some form of secessionism, if ultimately the same region says no and so on and so forth, depending on the underlying consensus and the issue, yes; it could be difficult, but you've got to put it up against the alternative, and it is not as if this is going to create problems that don't already exist, and it would be offset against, I think, the understanding of most Canadians that they accept the outcome. They accept both the process and will live with the outcome when they enter into it, and that your scenario becomes really the very difficult one, when after the fact, having said we agreed with the process, we don't like the outcome, let's change it. But my assumption is that they agree and so on; so I don't see it as inherently destabilizing, but I see it that regional majorities would be essential.

The third thing on the constitutional assembly idea, you needn't see this necessarily as extraordinarily complex because to the extent that these proposals have been flushed out, they would meet only in extraordinary circumstances. They would not be an essential and ongoing part of responsible government; they would need to deal with exclusively constitutional questions, when the need arose.

There would, of course, be questions of the linkages, and I think most people, and we'll see more of these blueprints in the future, most people envision elected representatives in the conventional sense as members of the constitutional assembly, but in a minority position, and that

other people would be elected from other walks of life and there would be all sorts of debate about how the representation should be structured and so on; but there's never a sense in any of them, that I've seen or heard talked about it, a total exclusion of represented people; just on a constitutional question, there is a different body in place.

MR. DAY: Elected?

DR. TUPPER: Elected, but not exclusively of people who already hold office, and they would not continue to hold office after the constitutional assembly had done its business; it would be time limited in most ideas. So therefore you're not creating new levels of government, you're creating a new political body to deal with one issue or sets of issues.

MR. DAY: It's an interesting approach that has to be looked at, obviously, carefully.

DR. TUPPER: I'm not so sure that there's much sentiment yet in the country, but my point was that if there are not reforms that are more incremental or more based on the existing system, you will lead right into those. This is what Meech Lake has shown us. We've moved very quickly in a year, and if these sorts of things that we're now going through right here fail, other arguments will quickly come to the fore.

MR. DAY: My last question, Mr. Chairman, to Dr. Scott. I understand you're a member of Alliance Quebec, the major --

DR. SCOTT: Well, I've acted for them in quite a lot of litigation and I've been on their committees from time to time. I don't speak for Alliance. I'm a member of what's an enormous association of people, but I don't hold office, and I can't speak for the Alliance.

MR. DAY: Okay, speak for yourself.

DR. SCOTT: I usually find myself more comfortable doing that, anyway.

MR. DAY: At our most recent Task Force meeting, one of the presenters was Lise Bissonnette from Le Devoir, and she was reflecting some surprise on the recent Ontario Throne Speech in which there was an indication that, as the Throne Speech laid out, in the next five years or so, there would probably be some radical change as far as Quebec and its situation constitutionally. Her surprise was the five-year factor. In fact, she saw a referendum coming out of Quebec a lot sooner than that. She even related to months as opposed to years, and thought there would be a question coming very soon on the sovereignty question or independence question.

Do you share that same immediacy factor, and if you do, what do you think the question is going to be?

DR. SCOTT: I think there's crisis, I think there's immediacy. I think that that's why people in all parts of the country should be working for solutions. A political prognostication is always a very dangerous thing.

I think it's very likely that there will be a referendum, and it's very likely that there will be a broad outlying of a federal or quasi-federal solution, which would certainly involve a transformation of the federation, if accepted in all its ramifications, and we'll see how the Quebec public deals with that. It's likely to be wide enough to embrace solutions which are federal, as well as solutions which are not, and an effort may be made to present sovereignty as something which can be achieved within federalism. After all, I mean, you have Privy Counsel cases, don't you, which says the provinces are sovereign within their jurisdiction; and some of the members of the commission have said, well, of course, what is federalism but a reconciliation of the sovereignty of the whole with the sovereignty of the parts.

So there can be a certain amount of conceptual game playing, but nonetheless, I think the Quebec government will try to come to the table in a new and more aggressive posture with a new and wider set of demands. But I think if Premier Rae says, well, five years, I don't think five years is an undue amount of time for the process to be ongoing, including the negotiation.

I would have thought it very likely that Quebec

will come back to either a bi-partite or a multi-partite table or a table which is bi-partite in which Canada is there and Quebec is there and the rest of you are grouped behind Canada; so a nominally bi-partite table, which is really a multi-partite table. However it's structured, however the chairs are arranged, around or behind the table, I think it's likely that the table will be organized long before five years.

But the outcome, I wouldn't have thought five years is an undue amount of time. Frankly, I don't think it's necessarily against the political interests of Mr. Bourassa or the Liberal Party to precipitate an urgent decision on the issue, that everything must be decided for or against Quebec independence within months. I don't think that's in their interests. I don't think it's in the interests of the province.

In other words, frantically trying to remake or destroy the country in a short frame of time is not in anybody's interest. It would unsettle the country in the worst possible way economically. There a number of economists who went to the Belanger-Campeau the other day to say so. Do we need chaos in the country, a level of political uncertainty which would damage the economy? Do we need to make sure we never get out of this present recession? I think not.

MR. SCHUMACHER: Ms. Calahasen?

MS. CALAHASEN: Thank you, Mr. Chairman. As a matter of fact, some of the questions that I wanted to ask have been answered; however, I've got maybe a few I'd like clarified.

Mr. Day has brought up the fact about the referenda question particularly, and the answer I was given by Dr. Tupper is that the referenda should be binding, of course pending ratification.

Who will be responsible for the drafting of the questions for that referenda? And if that was the case in terms of using referenda and the amending process, should it be constitutionally entrenched then? That's the Number 1 question.

The other one I have is when we're talking about -- you brought up the richer democracy versus the apathetic, cynical type of democracy and the involvement of the general public. When we're talking about the involvement of the general public, and I think there was some

question brought up with respect to the interest groups, and I think in the interest groups we mean a number of other groups, whether it's the women's groups or the aboriginal groups, what does it mean, then, for representative government? I think that was a question that was brought up by the Honourable Anderson as well as Mr. Schumacher.

Could you give me some information relative to what are the implications of that particular representative government and what it means for elected individuals?

The third is when we're looking -- and I think there was one thing added onto that, is Dr. Scott brought up the fact that he said there would be two constitutional agendas, and I think it really reflects on what I would say the representative also, where there's a government constitutional agenda as well as a people's agenda.

I'd like some more clarification relative to that in terms of what it means as elected individuals, and how we can ensure that the people's agenda is heard through us as an elected government. Would it be through what you call the process that you've brought out through the White Paper, the hearings, and the similar process that we are now utilizing to gather that input from the people?

MR. SCHUMACHER: Dr. Tupper?

DR. TUPPER: It's a lot there.

As quickly as possible, I never really thought about who drafted the question, but it would obviously be a very sometimes difficult process. But I think that there will not necessarily be questions as much as saying here is what has been agreed upon by way of constitutional change, do you agree or not agree. It could -- all depending on the issue; for example, Newfoundland entered Canada through referendum. They argued first time, there were three questions, and none achieved a clear majority and so on, but that was a different set of circumstances. Generally you would get the draft of what was going to go into the Constitution.

MS. CALAHASEN: So basically it's just getting some feedback on yes or no?

DR. TUPPER: Yes, in the sense of would it be binding, would be again yes. I think it would have to be.

You asked should it be entrenched. I think the sense of it, yes; this would be part of the amending formula, that various future constitutional amendments would be subject to approval through national referendum, through whatever subsequent majorities you want to put in place.

On one of your other questions about the two agendas of constitutional reform, let me just try and expand on this very quickly as to really make sure that the sense of what people have said is going on gets across.

The idea here is essentially that the government's agenda is about the things that motivate governments as organizations in terms of their own status and power relative to each other, essentially. That is what is meant by the government agenda. Federal and provincial being a major one, the position of Quebec; that has been the traditional Canadian constitutional agenda prior to the Charter.

The Charter, though, has indicated that there is a whole set of questions, particularly about how citizens relate to governments, period, not necessarily federal and provincial, and to a degree, how they relate to each other, which is just as important. In some ways this seems to be the major issue, the major lesson of Meech Lake, that those things that were required to satisfy the governmental agenda, the distinct society clause, for example, were utterly antithetical to the major actors in the so-called people's agenda who argued that distinct society would, in effect, reorder the hierarchy of rights as established through the Charter.

So this is a sort of artificial way of looking at it, but the notion is that the interest of the government, as governments, are of lesser importance.

I think how this is reconciled is your other question, which is the very difficult one, but I think the problem has been until very recently that I think only Mr. Trudeau, and he only remotely understood what the Charter did to constitutional questions; the point being that I don't think any other politician clearly grasped this, nor did -- I'm not suggesting that all the political scientists did, far from it, but I think it's now becoming clearer that this is a major area of progress in and of itself, that people are generally now of the view that there's some very different dynamics in the constitutional

process in Canada. The recognition is really the first major step towards the meshing of the two of them.

But I think it has not been clearly understood that how quickly the Charter really altered the way Canadians look at the Constitution. As one author put it, the big question now really is whose Constitution is it? I don't think I can be any more specific about that, other than to restate that the recognition of these competing agendas has not been widespread until really the collapse of Meech Lake, when now with hindsight, it's quite clear what one of the corporate causes of the failure was.

MS. CALAHASEN: Thank you.

MR. SCHUMACHER: Mr. Severtson?

MR. SEVERTSON: Yes, Mr. Chairman. My question is to Dr. Tupper.

You mentioned the drafting of the referendum. I think that is the real key how that is arrived at. You suggested earlier that we would have to go out and have a public input, a White Paper and so on, and back to drafting the referendum.

Would you envision somebody like the Spicer Commission, and would they be totally federally then? You wouldn't involve the provincial, like this Task Force here, then?

DR. TUPPER: Well, I think that the Spicer is a sort of a unique part of this, and I don't think it's going to be the basis on which to build, for a lot of reasons. I don't think that's a prototype. I think the assumptions underpinning it are quite wrong, and I think the politics are (a) to get breathing time because the Federal Government really has this enormous vacuum; and (b) to the extent that there is any clear strategy there, it is to undercut the interest groups. It may be even the provincial governments, although I'm not sure about that. So I don't really see that as a prototype to send groups around with a very vague mandate to, say, talk to people, talk to them, and they're going to tell them. I think we all know what they're going to be told; so there could well be differences of opinion about that, but I don't think that's the way to go.

I think they have to begin with a clear or

relatively clear statement of some of the public sector or the governmental priorities. Then it's a give and take rather than these sorts of exercises of seeking out people's views without any context to put them in. That's why I think I'm somewhat skeptical.

But my view is that for the medium term, at least, with more genuine commitment by governments for public participation before and after, that I think some of these problems, I'm optimistic that some of the problems of participation can be resolved. But there will always losers, and that has to be understood. There's always going to be people who are unhappy with the results, going back to one of my original premises. We are not going to make everyone happy, given the cleavages that exist in a country like this.

MR. SEVERTSON: But you haven't really answered whether it should be just a federal commission or should each province have one, like we have here?

DR. TUPPER: Of this sort here. I would recommend no one else bother with the Spicer type. I think that my view would be that all the provinces and the Federal Government will have to agree on procedures that bind them all. They would not be, in my way of looking at this, anything like the Spicer Commission.

But I think there has to be some agreement because, just to restate one of the points I made, there was an enormous variation between the provinces.

Actually, by the way, a small point, a lot of the particulars about the democratic process doesn't really apply in Quebec, which had the most extensive public hearings about Meech Lake compared to any other province. They even had public meetings between Meech Lake and Langevin. They were very accelerated, given at the time that they were in existence. But in the other provinces, there was an enormous range of activity. Ontario has a select committee that met at great length, New Brunswick had one, some provinces did almost nothing, and so on. Some provinces moved very quickly on ratification, others didn't. Mr. Mulroney did nothing until he was forced to do so, and then commissioned the Charest Report, if you will recall that.

So the whole notion here is that there has to be

some agreement such that, once again to use the example, that there is no possible argument, in my mind, why someone in Ontario should have greater or lesser capacity to influence his provincial government position than someone in Alberta or Prince Edward Island in regard to their problems.

Now, that would mean, of course, some extensive negotiations, and it might well mean that the degree of democratic participation would be reduced to the lowest common denominator; that if one province said we just will not go with anything except the bare bones, well, that would be very difficult. But those have to be gotten around, and they somehow have to be separated from the question of particular provincial agendas and issues.

MR. SCHUMACHER: This is the very hardest part about being in the Chair. We do have an agenda to try to adhere to, and perhaps we could break now in an effort to try to make up some of the time and get back on our timetable, and reassemble at ten past three.

(Roundtable adjourned.)

(Roundtable resumed.)

MR. SCHUMACHER: Just before proceeding with the second set of presenters, I was asked whether everybody in the room knew that they could obtain a transcript of this afternoon's proceedings by signing up. The answer is yes, if you leave your name and address outside the meeting room on the form provided, that the material presented today will be sent to you when it's prepared.

Our first speaker on the subject of the economics of federalism is Professor Robert Mansell from the Economics Department of the University of Calgary. Professor Mansell's work on fiscal transfers between governments has been often quoted in the press and, I might add, in the Alberta legislature. He received his Ph.D from the University of Alberta with a specialization in regional economics, and he has written extensively in this area.

We welcome you, Professor Mansell, and ask you to proceed with your presentation.

DR. MANSELL: Thank you for the introduction and the welcome.

Mr. Chairman, honorable members, and ladies and gentlemen, it is my great pleasure and privilege and honour to be given the invitation to meet with you today, especially given it is such an important issue, and unfortunately under trying circumstances.

At the outset, I would like to commend and express my gratitude to the members of the Task Force for their efforts in dealing with these very difficult and complex constitutional issues and, as I say, under very difficult circumstances.

The degree of uncertainty and dissonance we currently face in this nation is perhaps greater than at any other time in our recent history. But in a positive vein, I hope that we can view these more as challenges than as insurmountable problems and a rare opportunity to use our creativity and vision, patience, sensitivity to correct the fundamental flaws which have caused us to diverge so far from our potential as both a region and a country. I would like to address three main questions.

The first is from an economic point of view, what should Confederation accomplish, or what should an economic union accomplish?

The second question is, given that as a benchmark, how are we doing or how have we done?

The third question, of course, is given the divergence from this ideal benchmark, what can we do to get closer to it?

I will take it as a given that in order for a confederal system to survive, there must be something beyond pure economics. I accept that to bind the individuals together we must have patriotism and commonality of values and some notions of national purpose and identities, so I really won't address those. Besides, I don't think the economists have much to say about those, other than it's difficult to put a value on them.

Beyond these, however, there are a number of important economic objectives, and the degree to which these are achieved will, in large measure, determine the degree of regional harmony, the overall well-being of the citizens, and the long-term viability of the system. I don't think I need to remind you that when we talk about alienation in western Canada, it's largely economic alienation going back to freight rates and tariffs and the banking system and monetary policy, and more recently, energy policy. So

economic issues in Confederation I believe are important because they are bread and butter issues. Ultimately, however you like to classify Canadians, they are very practical people on average.

What are these objectives that we should achieve ideally under an economic union? I listed five, and I'll just go through them very quickly.

First of all, there should be gains associated with sharing the costs of national infrastructure. That is, by sharing overhead costs for joint projects related to transportation, communication, defence, the total expense will be less than if we undertook to provide those services individually in each region.

Secondly, we have the gains from avoiding what we refer to in economics as "beggar thy neighbour" policies, and I'll explain that. There are substantial gains from specialization and economies of scale that can only be achieved if we allow free movement of commodities and people. In other words, if we start erecting barriers, we lose those economic gains.

By preventing regions from erecting barriers through the use of some federal powers, these gains in the standard of living can be achieved and maintained. Similar arguments apply where there are regional spillovers. Examples are where there's a water diversion project involving a river that crosses boundaries or emissions that cross provincial boundaries or indeed, even cases where provinces bid against one another for industrial development projects.

The third I will just refer to as market power gains. These are gains from the exercise of market power that may be available to an economic union. In other words, acting collectively, but not available to an individual region. They may be in the form of negotiating better prices for exports or lower prices for imports or just generally renegotiating national trade arrangements.

The fourth I'll just call the redistribution objective, and it involves redistribution from the have to the have not provinces to ensure some minimally-acceptable level of basic services and opportunities are available to all citizens regardless of the regions in which they live.

In this regard, I believe there's also an important element of fairness. For example, ideally there should be a consistent

relationship between the level of per capita income in a region and the size of the net benefit or contribution that region is asked to make towards confederation. In general, the poorer the region, the larger the net benefit; the richer the region, the larger the net contribution.

We should not, for example, observe a poor region making a larger net contribution than the richest region. You might even think of this as what we refer to as horizontal equity: treating people in equal circumstances equally. The same would apply regionally. I'm just suggesting that there should be horizontal equity across regions.

The final objective concerns stabilization of regional economies. There are gains from allowing each region to specialize in those areas in which they have a comparative advantage. Obviously in the case of Alberta, it's primarily agriculture and oil; at least it has been historically.

The unfortunate thing is when you have specialization, you have instability. Confederation should be a way in which we can, like an insurance policy, achieve the stability, but at the same time, the gains from specialization. Simply put, when your basic industries are in a downturn, federal tax expenditure and transfer policy should operate to provide a net injection; and when the oil industries are booming, the opposite happens.

Well, that's what we would like to achieve ideally or in theory. Now, the question is, how does our experience stack up with those benchmarks? I'll go through them very quickly in the same order.

We have no doubt achieved many of the gains associated with sharing national infrastructure. The problem that I see is that we've more or less reached the end of that road with the size of our debt where today, 70 percent of our personal income taxes go just to pay the interest, or 40 percent of total federal revenues go just to pay the interest. There's precious little left over for the federal government to undertake any of these national projects that should be really their responsibility. What is happening is increasingly, those are shunted off to lower levels of government or they're simply not done.

Secondly, has it prevented the erection of barriers under regional mobility and trade and the erosion of well-being associated with these beggar thy neighbour policies? To some extent it no doubt has, but we still see many cases where it hasn't. Look at all the barriers as you cross from Ontario to Quebec, for example, even in the prairie region.

Perhaps the most obvious example is the increase for both provincial and municipal governments in industrial development, where we often see one government bidding against the other for a particular project. It's very counterproductive, and it borders on silly.

It's not difficult to see, though, why this occurs. I use Alberta as an example. We have just under 10 percent of the national population. We have a strong case for industrial development and diversification. Yet for most of the period for which statistics are available, we've received less than 2 percent of the federal budget for industrial regional development. Where has most of it gone? 70 percent, roughly, has gone to Quebec and Ontario, the most industrial developed and diversified economies. What does that tell you? Well, it tells you something is not working within the existing system.

As I will show later, Alberta is by far the net largest fiscal contributor. You would expect that its share from these should be somewhat larger since it has a strong case, but instead we have the rather ridiculous situation where Alberta has to bid against other governments with tax dollars from Alberta. Again, very unfair and counterproductive.

Number 3, what about the gains for market power? One can find examples where these have been achieved, but almost as many examples where they have been at the expense of resource-producing provinces where in the bargaining, the interests of one group have been played off against the interests of another. Of course, we see, potentially at least, the same thing happening now in terms of the GATT negotiations.

But the regional imbalances in federal power, political power at the federal government I think really underlie this, is survey after survey shows that roughly 60 percent of Albertans look to the provincial government to protect their economic interests. Only about 10 percent look to the federal government. That's almost the reverse of what you find, for example, in Ontario. That tells you something about the system not working. There's no other reason why people should have that attitude.

What about regional fairness? Well, Mr. Chairman, I know you'd be disappointed if you invited an economist and you didn't have a lot of tables and numbers thrust at you, so as not to disappoint you, I have distributed two papers. I wonder if you could just look at the first one. It's called The Regional Economics of Confederation, in particular, page

5, where there's Table 2. As I understand it, Dr. Boothe is going to be talking a bit more about some of these other issues. If you may, in addition, just ask him to refer to some of the parts of those documents.

Actually, there's another paper I provided which gives more detail. If you're interested in some of this information on an annual basis, it would be in the second document, and it's just called An Analysis of the Regional Distribution of Federal Fiscal Balances.

You will see in the first rows of this table the numbers for the net federal fiscal balance by region for various years. I will tell you that a net federal fiscal balance is defined quite simply as the total amount of revenue the federal government collects in that region minus all of the federal expenditures that come back in one form or another and minus all of the federal transfers that come back to individuals, governments, or businesses in that region.

So if the balance is positive, it means essentially the federal government is taking out more than it's sending back, and that's essentially transfer of jobs, incoming people from that region to other regions. In other words, it has a deflationary effect on the economy if it's a positive balance. Or alternatively, we could just think of it as that province making a positive net fiscal contribution to Confederation.

If it's a negative balance, then it means that the federal government is putting in more money than it's taking out, so that amounts to a net injection.

The numbers in the first rows are in absolute terms. You will see, for example, that Alberta, over the period '61 to '88, has been by far the largest net contributor. Its contribution was equal to $145.7 billion over this period.

If you look at the other extreme, I suppose the single largest net beneficiary would be Quebec, but of course that would only be if you didn't define the Maritime provinces as one region.

To make these regional comparisons, you really have to take into account population differences. So the numbers in the middle of the table are more appropriate when making regional comparisons. They're just those net balances per capita. There we see, for example, quite a different picture. Quebec, on a per capita basis, would not be the largest net beneficiary. It would tend to be the Maritime provinces.

Now, if you look at the bottom of that table, you'll see the relative per capita income, I call it market income, but you can think of it just as personal income prior to any government transfers. We would expect under the redistribution objective of confederation that there would be a transfer from the have regions to the have not. Not surprisingly, we see the largest negative balances are for the Maritime regions. They also happen to be the poorest.

We see the largest balances, for example, in Alberta per capita over this period. Net contribution has been $70.6 thousand dollars. The largest net contributor province happens to be above average. The other net contributor province is B.C.

But unfortunately, at the same time we see some gross inequities. Compare Alberta with Ontario. Ontario has, over this period, an income 16 percent above the national average. Alberta's is 3 percent above the national average. Why is it, then, that Alberta makes a positive net contribution of 70.6 thousand per person, or to get it per family, multiply that figure by 4 roughly; whereas in Ontario, a province with higher income, there's been a negative net contribution or a net benefit of 2,000 per capita. Well, I would suggest to you that this demonstrates some inequity in the current system.

Actually, just a couple of other points I want to quickly make in regard to this. First of all, while we have these large net deficits with the poor provinces being roughly consistent with notions of fairness, there's some question as to whether they have been truly helpful to the people of those regions.

In my research, I think there is some evidence that they have not been helpful because they have been incentives not to adjust, not to undertake the types of adjustments needed to have a sustainable, prosperous, viable, economic base in the region. In fact, I often find it amusing when people point to numbers like this and say, look, for the last three decades or more we've, on a net basis, put all the money into this region, why haven't they adjusted to the 20th Century? The answer is, in many cases, we pay them not to adjust.

The other point I want to make is these negative balances have some rather important regional implications.

First of all, you'll see that when you add up the

positive balances and the negative balances, the negative balances outweigh the positive balances. That's another way of saying we've run up the federal debt to a very high level in terms of financing these net injections to the various regions.

Now, why should we worry about that? Well, one reason is we know, for example, 60 percent of the interest payments that go to Canadian bond holders, that is the debt holders, I'm just talking about federal debt, 60 percent of those payments go to residents of Ontario, which is fine.

The point is that associated with that is a redistribution from the poor regions, on average, to the richest region in the country. Some people would argue that's unfair. In addition, I guess you could look at it from an individual basis, it amounts to a redistribution from taxpayers to bond holders. In some cases, we could argue that's unfair; that's not the type of redistribution we'd like to achieve.

It also brings with it higher interest rates, which disproportionately and negatively affect the peripheral resource-based economies that rely on capital-intensive production techniques.

Finally, the growing debt can create a financial incentive for certain regions to separate. For example, we know that Quebec, contrary to some of the arguments presented in the province of Quebec which are not founded in fact, we know that Quebec receives a large net federal fiscal balance under existing arrangements. But it well may be that at some point it will pay it to separate and lose this benefit if by doing so it can somehow escape the burden of that debt.

The last issue I want to deal with concerns the stabilization objective. We can find examples in the tables I provided you where it does that. We look at the net injections to the fishing industry, and more recently to the agricultural sector, and that has formed an important stabilizing element; but unfortunately, we can find examples where these policies have been extremely destabilizing. The NEP, combined with the associated fiscal transfers, accounts for about 65 to 70 percent of the cause of the collapse of the Alberta economy in the early '80s. Clearly that's an example where federal policies have worked to destabilize the economy.

But let's use a more recent example. Again, I'll use the case of Alberta and Ontario, just to demonstrate the mismanagement in terms of this objective.

It took Ontario until November of 1983 to reach the position in terms of the employment it had prior to the recession, that is in 1981. So it's March '83 when Ontario regained the level of employment it had pre-recession. The comparable date in Alberta is May of 1987, roughly four years later.

After Ontario had achieved its pre-recession level, there was a period up until very recently -- it was unprecedented levels of growth and prosperity. In contrast, in Alberta until 1988, we've had a very slow-growing economy, a lagging economy. Common sense would suggest that if Confederation was to provide stabilization to the short-run ups and downs, there should be a net injection to the Alberta economy and a net withdrawal from the Ontario economy. In fact, if you look at these tables, it's just the opposite.

Over this period, there was a net injection through federal tax expenditure and transfer policies, a net injection of 33.3 billion to Ontario and a net withdrawal of 41.6 billion from Alberta. This is at a time when the provincial government was trying to kick-start the economy by running a deficit, the effects of which were largely drained out and distributed to other regions, including Ontario, which didn't need any more kick-starting.

Well, to make matters even worse, and we've heard this story before, we get the high interest rate and high exchange rate policy to fight the inflationary fires in Ontario which are, in part, caused by this perverse type of fiscal policy and which disproportionately hurt the peripheral regions again, which are the most capital-intensive and export-oriented. Well, it's not difficult to see why I say that there are many examples where the system simply does not work.

If you add up all of what I've said, I think you invariably reach the conclusion that the system works in some cases, but in so many other cases, it doesn't. It works extremely well for Central Canada in general. It works extremely poorly for peripheral regions like Alberta with average or above average incomes. It works somewhat better for regions, at least if we look at the dollar amounts and not ask how effective the results of those expenditures have been -- it works somewhat better for, let's say, the Maritime regions.

I don't think the current situation, from a western point of view or an Alberta point of view, is sustainable. I know we hear

everybody talking about Quebec and so on, but I think we have to start asking, is this viable from Alberta's point of view? Can we continue to go on? I mean, I see a situation where Albertans already face uncertainty and adversities with respect to the weather and the international commodity markets and policies made by the government. Surely they should not also have to face uncertainties and adversities manufactured by federal policy, and they should not always have to wait for that other federal shoe to drop.

What needs to be done, I've got some ideas, but I'm running into Dr. Boothe's time, so I'll leave it there, and I should point out ideas for things we should do to correct this. Some of them I think are obvious, but I don't want to cut into his time anymore, so I'll maybe just turn it over.

MR. SCHUMACHER: Thank you, Professor Mansell. We've found in other roundtables that sometimes the discussion period afterwards brings out those ideas. We hope that it will. We certainly thank you for your presentation.

Our second speaker on the subject of economic federalism is Professor Paul Boothe from the University of Alberta's economics department. He has also done extensive work on what can be referred to as the economics of Confederation. I know that Professor Boothe attended the first roundtable meeting of the Task Force on October 23rd and has a keen interest in the relationship between economics and the Constitution.

I'm pleased that Professor Boothe agreed to appear before us today on this issue. Thank you, Professor Boothe.

MR. BOOTHE: Thanks, Mr. Chairman. I'd also like to thank you for this opportunity to speak about the economics of the Constitution.

In his opening remarks at the first roundtable, Mr. Horsman said that the economic and constitutional issues we currently face are inextricably linked. I think I'd agree with Professor Mansell that this reflects the view of many western Canadians. Recent reports from the Belanger-Campeau Commission in Quebec indicate that economics are pretty important to many Quebecois as well. While political scientists are right in saying that constitution making is more than just trading tax points, I agree with Professor Mansell that the economic benefits and costs of the federation can no longer be

ignored.

Also in the first roundtable, Professor Meekison told you that unlike in previous constitutional rounds, in this constitutional round everything would be on the table. I think we can't exaggerate the importance of this. It means that we have to prepare for potentially radical constitutional change. Nobody knows what's coming except that the status quo is no longer an alternative. I believe that we have to prepare ourselves by carefully considering the costs and benefits of the various constitutional alternatives we have so that as Western Canadians we can choose the direction that we want to take.

The question that I want to pose today is a variation on the one that Professor Mansell discussed, and that is, does the Canadian federation work for Western Canada? I'll stick to the economics of it. You've already heard from distinguished lawyers and political scientists on other aspects. What I'd like to do is spend some time telling you about the way the federation looks right now, talk a bit, expand a bit on what I see are some of the problems, and then talk for a little while on what I think we need to do to prepare ourselves to make some of the choices that we're going to face very soon.

Anyway, I am predictable in the same way as Dr. Mansell in that I've brought a number of charts, and hopefully all the committee members have them and members of the audience. If you're going to paint an economic picture of Canada, what does it look like? Well, there's lots of different statistics you can use, but what I've done is I've arbitrarily grouped the provinces and territories into four regions: Western Canada, Ontario, Quebec, and Atlantic Canada. In the western region, I've put the two territories. That's stretching things a bit to put the eastern Arctic in western Canada, but it really doesn't make that much difference to the results, and it makes the calculations a lot easier.

First of all, if you look at the figures, if you look at Figure 1, who lives here? Well, I've plotted the population at three points in time, 1960, 1980, and 1990. What you can see there is that over time, western Canada and Ontario have increased their shares of the population. These tables are at the end of my paper, which I think was --

DR. MANSELL: Excuse me, everyone doesn't have those.

MR. BOOTHE: Okay. Western Canada and Ontario have increased their share of the population, and now western Canada is the second most populous region in the country. Alberta makes up about 32 percent of western Canada in terms of population and about 9 percent of Canada.

If you look at the next chart, ethnic backgrounds vary quite a bit across the country. You can see the predominance of French in Quebec, of course, and English, actually that's British origin, in the Atlantic provinces. In Ontario and Quebec we have a much more mixed picture. European and other multiple ethnic origins are more important. For example, in Alberta, 41 percent of the population claim European ethnic origin.

What about political and economic power? Well, if you look at the next picture, you see that that's the Members of Parliament. In the Federal Parliament, western Canada's share of seats is about the same as its population share. Quebec and Atlantic Canada are somewhat over-represented at the expense of Ontario. Alberta seats are about 30 percent of western Canada and about 8 1/2 percent of the total.

Looking at the next chart, we want to measure economic power. If we measure that by total production, we see that western Canada shares again is roughly in line with its population. Quebec and Atlantic Canada have lower shares of production than they do population, and Ontario has a larger share. As with the population ranking, Western Canada is now second in the country in terms of the production of goods and services. Alberta accounts for about 35 percent of output in Western Canada and about 10 percent of the Canadian total.

What do we produce? Well, if you look at the next picture, you'll see the regional mix of output. Services are important in every region. If we look at the non-service production, we see that Ontario and Quebec focus most heavily on manufacturing -- no surprise there. Manufacturing is important in Western Canada, but unlike other regions, mining and energy is very important in the west. In Alberta, for example, mining and energy accounts for about 63 percent of non-service production. So it's quite important.

Where do we sell these goods and services? Well, if you look at Figure 6, you'll see that the U.S. is our most important foreign

trading partner for every region. Perhaps surprisingly to some, western Canada sends a substantially smaller proportion of its output to the U.S. than the other regions. Pacific Rim is an important trading region for us in the west. Alberta stands out from the other western provinces. About 70 percent of our foreign exports go to the U.S, so we're more like Ontario in that respect.

More important than our foreign trade, however, if you look at the next chart, is our trade with other regions in Canada. If we first focus on western Canada, we see that exports between the provinces of Western Canada amounted to about $20 billion in 1984, which is the most recent data we have. Western Canada sent about 18 billion to Ontario, 8 billion to Quebec, and 1 billion to Atlantic Canada. Alberta, if we focus just on Alberta, exported about $10 billion each to Ontario and the other western provinces, about 4 billion to Quebec, and about half a billion to Atlantic Canada.

Now, if we look ahead, can we expect these trading patterns to change? Probably we can, perhaps substantially. As the Free Trade Agreement with the U.S. gradually takes effect, trade will become increasingly oriented in the north-south direction. This north-south orientation will have different effects on different regions. For example, Ontario will probably continue to demand large volumes of energy from Alberta, but on the other hand, Alberta will probably look increasingly to the south for its manufactured goods. So the patterns of trade really may change quite a bit, and of course, any free trade deal with Mexico will accelerate those changes.

Anyway, what about the current institutional arrangement? Well, Professor Mansell has said a lot about this, and much of what he says I agree with. I think basically we can say to make economic sense, a federation should make all of its partners better off together than they would be by themselves. That's really sort of the acid test, and we can't have a situation where some regions are made continually better off at the expense of others.

Traditionally, economists group government activities under three headings; what we call allocation, stabilization, and distribution. Now, by "allocation", we mean providing goods and services to the public. "Stabilization" means trying to get low and stable rates of unemployment and inflation, and by "distribution", we mean making incomes more equal across people.

In theory, the roles of the two levels of government should be spelled out in the Constitution; however, in practice, both governments do everything under all three headings.

Also on the revenue side, both levels of government occupy the same tax fields. For example, both levels levy personal taxes, although only Quebec collects them separately from the federal government, and all governments levy corporate income taxes, with Alberta, Ontario, and Quebec collecting separately from the federal government; and of course, both levels of government levy consumption and excise taxes.

What are some of the problems? Professor Mansell has illustrated one of the big problems. If I can stick with my three headings, we really have to make a trade-off between two sets of forces. If we're talking about allocating things at the federal level, one justification might be that there are economies of scale, Professor Mansell referred to this, or there's important spillovers. Those are things that should be allocated at the federal level.

Justification for allocating things at the provincial level could be that citizens have different preferences. For example, people in the Maritimes want a different group or bundle of goods and services than people in the west. Or more importantly, and I think this is a very important one, the idea that public goods and services are allocated most efficiently when their costs are borne by those who benefit from them. A good example of this, a political scientist, Donald Savoie, in a recent book gave an analogy of a group of people going together to dine in a restaurant.

Now, think about how you would behave under two sets of arrangements. One is each person pays for exactly what they eat. The second is we're just going to take the bill and split it evenly. I think you'll agree that whether or not you have dessert really depends in part on what arrangement is made for paying. The most efficient way is for the people who benefit from the services to pay for them. That's something that's really missing in our system now.

Under stabilization, it's clear that in Canada, what is appropriate for one region at one point in time may well be inappropriate for another region. That's clear. Although at least on the fiscal side, this may be academic, if I can call it that, given the growing debt of the federal government. They may not be able to do any fiscal stabilization. Thomas

Courchene has argued for an increased stabilization role by the provincial governments.

Now, Professor Mansell mentioned the risk role or the insurance role that Confederation should pay. A recent example of this is Alberta's recent stabilization claim following the fall in energy prices in the mid-'80s. The federal government seems, at least now, unwilling to pay that. That really undermines this insurance idea. It's like somebody saying well, you do have insurance and a tree has fallen on your house, but we've decided that your income is too high to collect. I mean, not many people are going to continue to want to be involved in that kind of insurance scheme with that kind of payoff.

What about distribution? Well, Professor Mansell has talked about some of the problems with the distribution schemes that we have now. One of the problems is certainly the question of redistributing income at the expense of allocative efficiency. I mean, a good example of this is the CF18 decision. It was awarded to a Montreal firm rather than a Winnipeg firm. That was against the allocative efficiency and tried to get at the redistribution goal. Well, we can't continue to get these kinds of goals mixed up.

It's so very difficult to give a comprehensive answer to the question does the Canadian federation work for western Canada? Professor Mansell has done a lot of work, some of which he's talked about today, talks being about these regional balances that come from federal spending and taxation.

Another thing that you have to try to do is to catch the effects of policies that don't involve direct flows, like trade barriers, like marketing boards, like the National Energy Program and other energy regulations. Now, one example of is this was presented by John Whalley and Irene Trela for the Macdonald Commission, and I'd like you to look at the last chart, Figure 8. Actually the numbers for this are also included in Professor Mansell's paper.

What this chart tries to do, this chart is based on 1981 data and conditions. That's important to remember because conditions have changed a lot, obviously. But this, and I've allocated this into my four groups, what you see is the benefits and costs to the federation for each of the four regions. For example, according to Whalley and Trela, Atlantic Canada

got in '81 about $5 billion net benefit from being in Confederation. It was marginally disadvantageous to have Quebec in because, of course, they had to share some of the equalization with Quebec, but it was beneficial on balance to have Ontario and Western Canada in.

Now, if you look at Quebec, Quebec's a very interesting case. Quebec got a net benefit of about $7 1/2 billion from Confederation in '81, so if they were to withdraw, they would lose that benefit. In fact, according to Whalley and Trela's calculation, they would be worse off if Western Canada withdrew and they stayed in, than if they withdrew themselves because, of course, they would become a have province and they'd have to start paying some equalization to Atlantic Canada.

Professor Mansell's main point is illustrated very well if you look at the west; you see a big net decline, about $17 billion for the west, the cost to Confederation.

It's interesting to note here that if you add up the benefits to the other regions of having Western Canada in, and compare it to the cost of being into western Canada, there is some net benefit, which means that we could have a system where all the costs borne by western Canada could be returned to them, and there would still be money left over to make the other regions better off. I mean, this is an important thing to remember, I think.

Anyway, let me just finish by making a couple of points about what we have to do to get ourselves ready to make these choices. One is that you have to have extensive public participation, and obviously this roundtable is one step in that direction; but I believe in order to let citizens make these choices, we have to give them the full range of alternatives that they face and the costs and benefits of each alternative. Well, we don't know enough yet to be able to give them the information they need to make these choices, and I'd like to suggest a list of questions that we have to answer, just briefly.

For example, how much do the services of the federal and provincial governments overlap? How much could we save if we've eliminated that overlap?

Are there sufficient economic benefits to justify Western and Atlantic regional governments getting together for some of those benefits; economies of scale, for example, bargaining power within the federation?

Are there sufficient economic benefits to justify a federal authority, like defence, foreign relations? If so, what are the areas that we would want that?

Should there be a national stabilization policy? Westerns have often complained about it. Should we really have that, or should we have stabilization done at the regional level through regional tax and expenditure management?

Finally, are there economic reasons to justify a big transfer of or at least some transfer of income between the region? Recognizing that there's more than just economics to this, to what extent do Western Canadians wish to transfer income to other regions for non-economic regions for fairness, to share?

Well, this is just a partial list, but I think we need to answer these kinds of questions if we're going to make informed choices. We have to communicate this information to Albertans.

I believe time is very short. Belanger-Campeau will report at the end of March, and soon we're going to be called upon to make some choices. I hope that Albertans will start to think about this and that the Commission will consider these questions as you move to the next stage in the process.

Thank you, Mr. Chairman.

MR. SCHUMACHER: Thank you very much, Mr. Boothe.

The first person on my list is Mr. Ady.

MR. ADY: Thank you. To Professor Boothe and Dr. Mansell, let me say that you really gave us both barrels. I appreciate that. I'd like to make some comments on the presentation made by Dr. Mansell.

You mentioned some things that had alienated the west, and we could add to that. We all know that we could. Then Professor Boothe spoke of the very thing that drove the spike in the coffin having to do with the refusal on the part of the federal government to honour an agreement on the transfer payments when, in fact, our economy suffered dramatically, probably a 30-percent reduction in revenue in a given year and generated a $3 1/2 billion deficit, and still that didn't count. I think that that has to make us come to the conclusion that we can't go on blindly forever in this scenario.

Either it has to get fixed or we have to take a long look at it.

So my question has to move through you, how do we get it fixed? Also, the second question, can it be fixed with Quebec as a player? To either one of you or both.

DR. MANSELL: I still think it can be fixed with Quebec, and I think we have to be very sensitive and demonstrate some patience. I think, unfortunately, right now we've got an attempt to brainwash the population of Quebec. I mean, you have school children believing that they're economically disadvantaged by Confederation. I know of no reputable study that has ever come to that conclusion, including academics in Quebec.

I believe that over time, the truth will come out and perhaps memories will fade somewhat. They will recognize, I think, that it's in their best interests. Perhaps there will be more power in certain areas, but I would start from that position.

Now, of course, if Quebec next week tells us they no longer want to be part of Canada, everything is completely up in the air, and I have nothing to say about the probability of that happening.

What can be done? Assuming that some modification of our existing system will suffice, I think we can do the following.

First of all, and I'm not sure about the mechanics of this; some of the constitutional experts will have to address it, but I think it should be in some way part of the Constitution. The first thing is there must be a requirement that the federal government balance its budget because in one way or another, this deficit is undermining the whole nation. I mean, it prevents the federal government from fulfilling some of these responsibilities, the insurance policy, or fixing the TransCanada Highway. Ultimately, if the provinces are paying for those functions, the provinces will want to make the decisions, as they should. So that's number 1, and I say it has to be balanced over a cycle, say eight, ten years.

As I see it, the way the system has evolved is that in order to get power and stay in power, you have to buy votes, and often you have to buy them with borrowed funds, and that's even worse. It's like running a family with ten children. By trying to keep them all happy by buying them off, you'll go broke before you get them all happy.

Then secondly, I think within the constitutional framework we have to inject fairness. So, for example, we could never have a situation where Alberta was driven into severe recession, no matter whether or not the energy policy could be justified on the grounds, but it could not be driven into recession because there would have to be some compensation. If its per capita income was the same as Ontario's, its net contribution should be no greater. There are a number of other things along those lines.

We could require some joint decision-making in terms of federal and provincial decision-making in the area of fiscal policy. I would like to see some mechanism so that we don't have a situation where one government is trying to pump up its economy because it's lagging, and the federal government comes along, the other government, and it sucks it out. I mean, that's totally counterproductive.

Let's have the governments working together so that if the Ontario economy has to be cooled off, the federal government is running a deficit with Ontario, and the Ontario government is restraining its spending as well.

Now, there are several other things dealing with resources and resource rents and so on that have to be dealt with, and if you want me to, I'll expand on those a bit. But maybe I'll just turn it over.

MR. BOOTHE: I think that it can be -- let me put it a different way. I think that it should be fixed with Quebec in. I say that as an economist. If you look at that last chart and you add up the benefits to Quebec and the costs to the other regions, the benefits exceed the costs.

Now, right now Quebec is getting all those benefits, but there are net benefits to Quebec being in, net benefits that could be shared among all the regions, just like there's net benefits that could be shared because western Canada is in. So I guess my first point is --

MR. ADY: Excuse me, are you saying that are being shared or that could be shared?

MR. BOOTHE: That could be shared.

MR. ADY: There's a difference there.

MR. BOOTHE: Sure there is. But the economics of it is that in that sense, there really is a surplus generated by Confederation. We are unhappy about the way the surplus is being distributed, I think justifiably so, and that may be, and I believe it is, leading ultimately to the breakup of the federation. But it can be fixed. As long there is a net benefit there to be shared, I believe it should be fixed. That's the economics of it.

Now, what can we do? Professor Mansell has talked about some things. I'd like to go back to one thing that I talked about in the paper, and that is making a break between the role of government as a redistributor of income and as an efficient allocator of resources to provide things that people need, public services that people need. Right now, I think that these things are in conflict. They're just too mixed up.

One of the ways that you can do that, you can unmix those things, I believe, is to move a lot of the spending decisions closer to the people. Move them down a level of government. Now, how can you expect somebody in Atlantic Canada to consume the right amount, the appropriate amount or efficient amount of Unemployment Insurance, if he or she thinks that most of it's going to be paid by people in Alberta and British Columbia? I mean, people in Atlantic Canada aren't stupid. They're acting economically. So what we have to do is we have to change the incentives of the system.

Now, I still believe there are both economic reasons and some non-economic reasons, some social and political reasons, that we do want to redistribute income between regions, but we've got to break that away from the allocation function of government. In my view, one of the principal ways to fix that is to move the spending and taxes decisions closer to the people.

So a lot of the things, for example in health, I don't believe the federal government has any role in health. I don't understand why they're in health. That's a big ticket item. A lot of the motivation for decisions that we make to help spending in Alberta come from the Canada Health Act.

MR. ADY: Absolutely right.

MR. BOOTHE: So what we have to do is we have to move those spending decisions closer to the people that pay for them and separate them from the very sensible redistribution goals that we want to make.

MR. ADY: If I could just --

MR. SCHUMACHER: Professor Tupper would like to comment.

DR. TUPPER: I want to throw maybe a little bit of cold water on some of the things that have been said, not literally in words. Implicit in what both you argue is something untenable, that is, that an independent Western Canada/Alberta is viable. So I mean, this is the next step, really, to what you're arguing, I don't think, given the whole context of what you've said.

The other thing, it seems to me almost contradictory, though, when you argue in terms of efficiency goals, that you're also implying a very strong decentralization of services given the fact that we heard in both your arguments that, in effect, cases for centralization of services. You'll have enormous duplication, and your own remarks both indicated that there's spillover. I mean, the federal government is involved in certain things like education because the benefits of education go beyond the boundaries of the different provinces.

But I am more concerned about the first point that this leads to. You're suggesting, assuming that all these figures are correct by the way, that you can actually make these calculations and say the federal government imports are obviously difficult.

Let's say that the upshot of what you're saying is that federalism is unattractive for Alberta; then what is the option? Surely the studies, to restate, indicate that an independent west, let alone an independent Alberta, is economically, utterly unfeasible.

DR. MANSELL: These studies do not address that at all. I disagree with you totally. You've misread what we've said.

I simply asked, within Confederation, how do we fare, not how do we fare relative to our next-best alternative. You're right, if

we're out in the middle of nowhere by ourselves, being penalized this way is still better than how we'd be penalized under that system.

I have not addressed that. That's a much bigger issue and goes much beyond fiscal balances and, I would argue, also touches on the emotion commitments to the country and so on.

I know that aside from some of the work that's been done in Quebec, really most of these issues don't look at it that way. They're simply asking, is the existing system working, given certain benchmarks for fairness. That benchmark is not what would you look like if you're separate.

DR. TUPPER: If I could just make one very quick supplementary. The point is people don't read the data. Politically, people look at this data and then move to the conclusion you say that you haven't looked at. You have no control over the way people interpret these data, but this is the next interpretation that I go to. In effect, it lends intellectual credibility, I think, to a notion that really doesn't deserve much.

DR. MANSELL: If you look at my paper, for example, the one forthcoming in the Parliamentary Gazette, it says limitations of balance sheet exercises. It makes it very clear up front that we're not comparing how Alberta fares compared to an independent state. Then once having done that, it says okay, all we're looking at is -- it says rather than measuring the benefits and costs of Confederation, they focus -- these studies that I'm talking about focus on the regional economic impacts associated with various federal and provincial policies that capture the main economic dimensions of confederation. I disagree that I've gone beyond.

MS. CALAHASEN: Just on this --

MR. DAY: Just on this point, if I may. With respect to what Professor Tupper said, I don't think we should have any hesitance to putting that question on the table because it is something that Quebec clearly puts on the table. They alert the rest of Canada to the fact that they are looking at the question in some ways or another, that they are looking at the question of their own economic viability if they were to be on their own.

I don't think that we should hesitate in Alberta, not that we're saying we're going on our own, I don't think we should hesitate, if we're mature enough that we can say, folks, these are the facts. If it costs us billions of dollars to stay in, what would have been the result if we were not having this drain?

I don't think because these facts lead to an emotional response, that we should hedge the question.

MR. BOOTHE: I guess a couple things that I would add is I agree with Professor Tupper that there are some things that are best allocated at the federal level, but given my views about allocative efficiency, I think that the case has to be made that there are compelling economies of scale or spillovers between regions before we decide to move it farther away from the people. That's my first point.

Education may be a case where there are important spillovers. I don't believe there are for health, for example. We spend more on health than we do on education.

The second thing that I want to say is that I'm surprised that you have such a strong view on whether or not western Canada, by itself, is economically viable. My answer to that is I don't know. I don't know that. I haven't read a study that's given me convincing information one way or the other.

I guess what I'm saying is, and this goes back to what you were just saying, is that this is one of the alternatives that Albertans and western Canadians will face, and so we should be getting on with the job of figuring out whether or not we are economically viable by ourselves simply because that's one of the alternatives we're going to face.

People in Toronto are saying, well, really what we need is one of these two region models where there's Quebec and then there's a highly centralized rest of Canada. We have to work up the cost and benefits of that for Albertans, just like we have to work out the costs and benefits for Albertans of independent western Canada.

DR. MANSELL: I would like to second those comments. I think that's very important that even in Quebec right now they're really negotiating in a vacuum. I mean, they have not heard what English Canada will accept in

terms of their share of the debt or the treatment of the northern Quebec lands and a whole host of other issues. Until they have a good feeling for it, what they can get and what they have to pay, it's going to be very difficult for them to come up with a hard answer as to what's their best option as well.

MR. ADY: I just want to make one final observation. We talk about the things that it takes to fix it, but we're overlooking one very important thing that it takes to fix it, and that is what are we going to do about the out-of-balance system that we have of the votes in Eastern Canada? That's what's caused the inequity between the east and the west because that's where the votes are. Consequently, our federal government has catered to that for how many years? There's nothing in here today that tells us anything about fixing that, and that will prevail until we fix that problem.

DR. MANSELL: I have implicitly assumed, and in fact, I said that I assume Canadians in other regions want Confederation to work and will see the necessity and wisdom of things like Senate reform to check the regional imbalances in federal power.

I would also suggest that some of my proposals would deal with it by putting in place a rule which says if you're going to go after that region or that industry in that region, you have to ensure that it meets these fairness criteria. If you're going to take out of that particular industry a whole lot of money, you've got to send it back. Let me give you an example.

One of the reasons, of course, we get so little in terms of federal assistance in industrial development is because of the problem you point out. I'm saying okay, if they don't want to spend the money here, if they're only going to give us 2 percent when we should get a minimum 10, and I suggest it should be more like 15, if they're only going to give us 2 percent, they have to give us a credit back to the provincial government. Then let the provincial government decide if it wants to use it for industrial development or lower taxes; it has the power. But it is a rule which would force them to behave in a fair manner rather than asking the political system to produce.

MR. SCHUMACHER: Mr. Day?

MR. DAY: Thanks, Mr. Chairman. A couple of comments and a question. I think it was Dr. Mansell who said -- in response to the question what do we do with this inequity, what do we do with the fact that Alberta is paying out huge amounts at the price of Confederation -- Dr. Mansell said the governments have to work better together.

I think it goes back to Mr. Ady's remark, that is never going to happen until we have an elected, equal, effective Senate, because what you have in Ontario and in Quebec are MLAs and MPs who outnumber us I think about six to one, and they are doing the very things that they should, which is representing their constituents and representing their provinces.

When you're outnumbered six to one, quite frankly, you're not going to win on too many of the deals. So until there is that Senate balance, the festering economic irritants which plague our nation -- and that's a quote from Dr. Boothe's Economics of Association -- those things are going to continue to fester. If we don't lance the boil, we're going to lose a limb. So I just want to say that governments working together is not going to happen, it hasn't in 120 some years, unless this Senatorial thing is addressed.

When we hear the figures about the imbalance, I almost feel like, with respect, saying, Dr. Scott, before you head back to Montreal, could you leave a little cash on the table. But that's the type of -- unfortunately, as I think that way we realize we do have to be careful, not to say that there's no emotion, but emotions overriding reason when you're looking at how are we going to work this out.

I'd like to hear from Dr. Mansell or from Mr. Boothe. Dr. Mansell, you talked about memories fading; memories of being, let's say disadvantaged economically, fade. I'd suggest that they do very, very gradually. I've got taken economically in business deals twice in my life. Once when I was a kid I lost $2, and once when I was a little older I lost several thousand. I remember those moments very clearly, and the unfortunate thing is, it will be a long time. It will be a healing process that we're talking about, as well as a political process.

What would be the impact on Ontario of Quebec moving to a high degree of sovereignty, call it independence, call it what we want? From what you've studied, do you see maybe there is no impact on Ontario? Do they continue trade as if it were just another province? Do you

see them having to rapidly align themselves with Quebec or with the west? Have you been able to analyze that?

MR. BOOTHE: I think that it really depends on which assumptions you're going to make. For example, if you make the assumption that the regions separate politically, they don't argue about the debt. Let's say they take some simple rule like their per capita share, they decide to have a common monetary policy. People in Quebec and Ontario seem to think that of course we'd still stick with the common Bank of Canada, even if we move to some other model.

Let's say we decided that we were going to continue with free trade among the regions. I mean, why wouldn't we? Well, I'm not sure that there wouldn't be such a big economic effect on Quebec. I mean, they would lose some of the transfers that it gets into the province, but remember, and I can't stress this enough, the chart that I showed you was from 1981. We had high energy prices and a National Energy Program. People say, what if we still had the National Energy Program? Well, given what energy prices are now, it wouldn't hurt the same way as it did in 1981, not by any means. So I think that the corresponding benefits to Quebec are much smaller as well in terms of transfers.

So quite frankly, if you were willing to have free trade, you don't squabble about the debt. You have a common monetary policy. I don't think that it would be catastrophic for Quebec by any means, and it wouldn't mean necessarily that Ontario would have to align itself with Quebec at the expense of western Canada. A lot of oil and gas flows eastward from Alberta and Saskatchewan, and I think that would continue to flow.

DR. MANSELL: I'd just like to make a couple of comments. I agree with, I think it was Dr. Scott who said that this uncertainty associated with whether Quebec is in or out affects everybody adversely. And it does. It has a large bearing on our interest rates today. Of course, if there's greater uncertainty, it will affect Ontario as well.

My general reaction to that question is that the natural alliance would be between Quebec and Ontario, not between Ontario and the west. I've often been struck at the fact that -- and I don't understand this, why Albertans, for example, are almost held in utter contempt when you

go to Ottawa, or just in general in Ontario. Yet I say that because we have some common interests, but from an economic point of view, I don't know if there would be more common than in Quebec. I mean, in terms of the manufacturing base, there are similarities. For example, cheap energy helps both Quebec and Ontario. It doesn't help the west. That's just one example of where there's a direct conflict.

I've often been surprised at why, or have been unable to understand why we don't understand more about each other. I wrote a paper some time ago talking about central Canadian myths about the west, for example. Given the level of education of the average person, it's hard to imagine how a whole population can swallow those, but it's a case where the media is located there and myths are repeated enough that they become fact. Once they're fact, although they're not really perceived as fact, then we're got political power there, they're acted upon.

So for example, the NEP implemented supposedly because of a 13-fold increase in energy prices. That's what I read by one individual writing about how western Canada was ripping off the east. In real terms, when you cast those oil prices western Canada received in constant dollars to take away the inflation, at the height of the so-called energy crisis which precipitated the NEP, they are 48 percent above the level in 1947.

Now, if you used the same criteria, we would regulate everything in this country, whether it's housing or cars, a lot of things made in central Canada; or you hear the argument Alberta should pay its fair share. I tell you, if that isn't a fair share, nothing is a fair share; but this is a common view, for example, in Ontario. They believe that Alberta is not paying enough, that it's not carrying its weight.

Anyway, I could go down the list, but there has to be some way of attacking this misinformation and misperception. If that was done, maybe Ontario would be a natural ally of the west, I'm not sure. At present, I would say it's more with Ontario.

DR. SCOTT: I think the real agenda here may be to educate me and have me go back to my students to do what I do quite frequently and try to get across to them the fact that we need not be entirely preoccupied with our own concerns, that federation gets looked at quite differently in the regions. Of course, I did have Clyde Wells up to the law school last year, and in that

speech and in others he said, well, the MPs are doing just what they're paid to do and what they're supposed to do, represent their constituents, and that calls for Senate reform.

As a matter of fact, in a piece I did for the Canadian Bar Association, which I've given one of your Intergovernmental Affairs Department people a copy, I tried to work out a Senate reform scheme. I think, practically speaking, absolute equality would simply not get through any amendment process, but I said, well, suppose you gave every province 12 Senators. In principal, that would be 48 for the west, and you had 24 and 24 for Quebec and Ontario, that would be 48, and you had, let's say make it only 6 instead of 12 for Prince Edward Island, just to keep things under control a bit. That would be 42.

You'd have more or less the Atlantic regions and the west without absolute equality having twice as many votes as Ontario and Quebec put together. That would, I think, go far in redressing the situation.

So I think, again, there are solutions one can discuss. I've never personally heard better explanations, more succinct or forceful explanations of the circumstances of the west in Confederation than I have today from Professors Mansell and Boothe, and I should indeed leave some money on the table and pay for the education. But of course there are legitimate concerns of all parts of the country, and the constitutional revision process is the place to ventilate them.

I would like some way to get the people at the Belanger-Campeau Commission to each have a copy of these Task Force reports, not the report of what you do, but the verbatim report of the proceedings, and get them to read them somehow, because that might tend to moderate even slightly their obsession with their own preoccupations. It becomes really incestuous and very unhealthy, although the climate in Quebec is not a particularly healthy one.

MR. SCHUMACHER: Mr. Bradley?

MR. BRADLEY: Thank you, Mr. Chairman. I, too, found most fascinating the remarks of both Professor Mansell and Professor Boothe.

One of the comments that was made at the start by Professor Boothe in regards to Dr. Meekison's suggestion that everything is

on the table, I think it is in this round of constitutional discussion across the country. It's important that we as a province have a position of options that are out there. I see the salvation of the country perhaps as looking towards a refederated Canada where the distribution of powers are looked at, what powers over which provinces, and the fiscal arrangements.

Leaning along that line, some of the questions you asked, some of the questions I was going to ask you folks, Premier McKenna has advocated a Maritime economic union. Is that something that we in the western provinces should be looking at?

I also refer to a paper, perhaps you're familiar with, the western Finance Ministers looking at the economic and fiscal developments in Canada, suggesting that western Canada should look at its own income tax collection system.

I wanted to also comment on this regional concept that's being put forward as something that's been the antithesis of the constitutional arguments of the Province of Alberta. Historically we've been working towards equality of the provinces. We don't like this notion of being lumped in regionally. We think that each province should be treated equally in constitutional arrangements, although maybe it's something that we now have to consider in terms of regional units in the country. That's why I've asked this question, whether a western economic union, and could you comment on the work that our Finance Ministers are looking at in terms of the fiscal arrangements.

DR. MANSELL: Is your question have I followed the type of work that they're doing?

MR. BRADLEY: Yes, could you comment on the type of work, if you have been following it, and the concept of a western economic union vis-a-vis the concept that Premier McKenna has been advocating for the Maritimes.

DR. MANSELL: I agree with your first point, that everything is on the table, including the various combinations of provinces, and one of those being a western union. I, too, believe that -- and I've always thought of equality in terms of provinces, a federation of provinces. It's my understanding of Canada, and of course it conflicts with this two-nations concept, but be that

as it may, that's the point I would start from.

Now, the question is well, if you cannot achieve what you want with that view, what is the next best view? Maybe it is a western unit which would have enough population to essentially counterbalance some of the other big units, maybe Quebec, Ontario, and so on.

There are advantages to some cooperation; for example, reducing trade barriers, which is what they were talking about in the Atlantic region. Certainly we could gain significantly from that.

As far as having a separate currency, for example, I just don't know enough about it, going all the way to it.

MR. BRADLEY: I wasn't going to suggest that.

DR. MANSELL: Maybe it should be something on the table. Maybe this country is too diverse and too large to have one currency. I often think about the value of the Canadian dollar vis-a-vis the U.S. dollar as being totally inappropriate for Newfoundland. I mean, why do we force them to suffer the economic consequences of it grossly overcutting the Canadian dollar? It hurts them. Maybe what we should have is the flexibility to somehow accommodate its greatly different, economic conditions across the country.

MR. BRADLEY: If you went that way in terms of the monetary aspect, then you could have your own interest rate policies, and some of these other problems that we have could be redressed.

MR. BOOTHE: No one country.

MR. BRADLEY: No one country. You break up the country if you go that far.

MR. BOOTHE: If you're going to go without, if you're going to take the step to eliminating monetary union, then there's no country. So the thing is that we may complain about the costs and benefits of monetary policy in western Canada, and I happen to believe that a lot of the paying of monetary policy comes from the fact that it's fighting an inappropriate federal fiscal policy. I think that if you're going to have an economic union, you've got to

have the common currency.

I'd like to also comment on your question; actually, this relates to Mr. Ady's point and also Mr. Day's point. Why are we always thinking of us as 9 or 10 percent of the Canadian population, and we're small, not as small as Prince Edward Island, but we're small. But like I said in my presentation, western Canada is the second most populous region. It's about 29 percent of the population of the country. Ontario is only about 34 or 35. Quebec is last. Quebec is less than a quarter of the population. Maybe one of the ways that we get some redress or rebalancing of Confederation is for western Canada to work together. Now, how do we do that? Well, that is a question for political scientists, not economists.

DR. TUPPER: You haven't excluded my politics from what you've said all afternoon, so keep going.

MR. BOOTHE: So I'm not going to try to answer that, but the thing is to get the west to work together would be one way to try to rebalance Confederation.

MR. BRADLEY: Just on that, one of the suggestions our Finance Ministers are making is that the western provinces collect their own personal income tax together.

MR. BOOTHE: Well, where does that come from? I mean, where that comes from -- yes, the reason that it's happening now is the fact that the federal government collects tax on behalf of the provinces, but it only allows the provinces to have a tax on top of the federal tax. So our tax isn't levied on taxable income like the federal taxes, it's levied as a proportion of the federal tax. That means every time the federal government changes their tax, our tax gets changed automatically.

Now, we provinces in the west, as well as Ontario, have introduced some different kinds of taxes; for example, in Alberta the flat tax, and that has been allowed by the federal government on a provisional basis, temporary basis. Well, the federal government is saying, well, maybe we don't want to collect the flat tax anymore. You can't have it anymore. They're just discussing it now. That isn't decided.

One of the reactions of the western Finance Ministers was to say well, maybe we should just collect it ourselves. If they won't collect the tax that we want, maybe we should collect it ourselves. So that's really the thing that's driving this study on behalf of the western Finance Ministers to collect their own tax, is because the federal government is suggesting that they may not be willing to collect the tax the way western provinces want it to be collected.

MR. SCHUMACHER: Dennis?

MR. ANDERSON: Thank you, Mr. Chairman. I can tell from the questions that we've already had that both Dr. Mansell and Mr. Boothe have capsulized in figures the feeling of frustration and the feelings that we've had about Alberta's spot in the Confederation.

I am glad, though, that Dr. Tupper got in initially on that, because we can be accused of being an Alberta committee listening to two Alberta economists tell us how bad our spot is comparatively in Confederation.

In that regard, I just want to make sure that we have all the facts on the table. I should emphasize that I personally feel that your figures are right, but I have trouble considerably in the rest of Canada with the Senate Committee and others. Arguments are given against, say, Professor Mansell's figures which start in '61, that previous to that, in Canada's early stages of Confederation, Alberta was a net beneficiary of payments from central Canada. In fact, what we're saying is that we're only going to take this particular snapshot in time out of the continuum that's Confederation.

Could either of you respond to that, and just so that we have all of the information, to any other arguments that you know of that would, in fact, say to us we are getting more benefit than is indicated in your figures.

DR. MANSELL: On the argument concerning data prior to '61, it's very difficult to say anything because we just don't have the information we need to analyze it. I would only make the comment that prior to the early '60s, in fact you can seen see it in the data that I've provided, the transfers are fairly modest. One of the reasons is the federal government was much less intrusive

than it is today. We didn't have these big expensive programs and expensive energy policies and transfers associated with them. So I don't believe that there were any major transfers.

I also recall that Alberta was the only province to default on its public debt. When you go back and read the history, one of the reasons was because it couldn't get the federal government to help pay for the infrastructure. That suggests to me that this is a longstanding problem; that we didn't have in the past the federal government throwing a whole lot of money, fiscal benefits, essentially, at the west.

But it may well be that the sign was negative; in other words, there was a net injection. I'm suggesting it probably wasn't large relative to what's happening in recent past.

Concerning other numbers, we've got Whalley and Trela's study, and that's probably the most comprehensive study looking at everything. I mean, my numbers really just look at the direct impacts, the direct effects associated with federal tax policies, expenditure policy, transfer policy. They looked at the effect of the tariff policy and the transportation policy, unfortunately just for the one year; but I can tell you for that one year where we have the two studies, the numbers are not terribly different.

I would also say that in general, the total impacts are probably larger. One of the reasons is because when you provide a net injection to Ontario, most of it stays there, not much seeps back to Alberta. On the other hand, when you provide a net federal injection to Alberta, a lot of it seeps to Ontario because we buy so much more. So if anything, when you take into account the second round of effects, they tend to be somewhat larger than those.

I have not heard since we've documented all the methodology, and I have to say there is some arbitrariness in some elements. Fortunately, they're mostly small items. But take in the case of the indirect taxes of the manufacturers' sales tax; the question is who pays that tax ultimately, the supplier or the producer or the consumer? Well, generally we argue that if you have an open economy, it's the consumer that ultimately pays for it; but in most of those situations where there was uncertainty, we try different methods. We maybe give half weight to incidents on producers, half weight incidents on consumer. It makes a little bit of difference, but it doesn't really paint a different picture.

MR. BRADLEY: I think there's two things to say. First of all, I want to emphasize once again that these numbers from the Whalley and Trela study, which is by two people, very distinguished researchers, John Whalley is world famous, the University of Western Ontario, that these numbers are from 1981. We had high energy prices, we had the NEP. This is where things are going to look the worst for western Canada, absolutely the worst. These differences, these net transfers, are going to be smaller now, in my view, although we don't have the data to tell us that. It's very complicated.

DR. MANSELL: We do have something comparable. If you look at Table 1 of that second handout I gave you, it shows you the net Alberta balance by year, and then suggested by Professor Boothe in '81 -- the document is titled Analysis of Regional Distribution. If you look at actually page 9, Table 1, and you look down the Alberta column, you'll see that the largest net withdrawals were in the early '80s.

Today, or for the most recent year we have dated, the figure is $1.8 billion, a net withdrawal of $1.8 billion; so that the situation has improved.

MR. BOOTHE: Although those are only the fiscal balances, not the total cost and benefits of it, as calculated by Whalley and Trela.

The other thing that I want to say --

MR. BRADLEY: Could I just ask a question. Is it possible to get these figures updated, Figure 8, because in terms of --

MR. BOOTHE: In principal.

MR. BRADLEY: In terms of the arguments in Quebec, which are going to be I think mostly an emotion of the economic argument, is a case which has to be made. It would be very useful to have some up-to-date information.

MR. BOOTHE: Potentially it is possible. The most recent data you could use would be 1986 because these data are not produced every year by Statistics Canada.

The only people that are running a model like this right now that I'm aware of is the federal government. Department of Finance built a regional model to support their GST arguments. That's the only one that I know of. I want to say one other thing about this, and that is, this goes back to something that Professor Scott was saying about Quebec. I mean, in Quebec feelings are running very high. If you spent your time staring, if you framed this chart and stared at it every day, you could get yourself quite worked up, too, about it. But really, another thing an economist would say is what we should be doing is looking ahead, not back. This money isn't going to get paid back. This is done, this has happened. What we have to do is we have to look forward and say well, these balances are certainly not as big; what will they be in the future under different kinds of circumstances, can we live with it? If not, how do we want to rearrange the federation to see what things will be like.

Instead of getting all worked up about what's happened in the past, history is useful in that respect, but we're trying to plan for the future here, not look at the past. That's important to keep in mind.

MR. ADY: But we don't want to walk back through the same trap.

MR. BOOTHE: That's right.

MR. ANDERSON: I'll forego the other questions that I really wanted to ask because I know you have a few from the audience.

MR. SCHUMACHER: We did promise the audience a chance to submit questions, and I have a few questions here as well as a few comments. I'll start with the questions. The first is to Dr. Scott.

How can you be sure the rejection of Meech Lake is not a rejection of Quebec? If western Canada isn't worried about the crisis in Quebec, perhaps we want them to leave.

DR. SCOTT: Why isn't it a rejection of Quebec? Well, if Alberta passed Meech Lake, it wasn't entirely popular here, especially at the end, but nonetheless, the government was keeping a whip on and made it go

through the House. In the end, it failed. It failed as far as the constitutional processes are concerned. It would be law today if it had not been, as it were, revoked by Newfoundland and not passed in Manitoba.

The Government of Manitoba did try to get it through the House. There were limits to how far they were prepared to press it. In the end, they were not prepared to force it through the House, and public opinion certainly was not favourable to it being forced through the House.

Certainly in Newfoundland opinions were mixed. I went on an open line; the people of Newfoundland were represented very well in the House on both sides. I couldn't have called the result. If it had come to a final vote, it would have been by one or two votes in the House. People weren't sure where the interests lay. There was passionate concern for the country in respect for the interests of Quebec. I saw no hostility for Quebec anywhere.

Now, I know that there was a certain amount of bigotry shown in different parts of the country, and a certain amount of the opposition did come in that way. I certainly think that the bigotry was not reflected in the two Houses which finally defeated Meech Lake and certainly not in this House. It seems to me, then, that the institutions of the federation showed themselves willing to cooperate and accepted Quebec's five points even in the very unsatisfactory form of Meech Lake.

Now, my concern with Meech Lake, we'll get into that, was the Supreme Court in the end because they would have tried to control and would have controlled three seats in the Supreme Court in much the way that the Government of Alberta was trying to ensure that its candidate would get into the Canadian Senate. Three votes plus two make a majority, five seats control the Supreme Court, and you people are devising formulae about fairness. Economically, these issues would come to the Supreme Court, and they would be decided by the Supreme Court, which is a central, very key institution. So that's in the end why I was opposed to Meech Lake, but I did not see -- Meech Lake came within a hair of being passed.

While some of the opposition was bigoted opposition and hostile to Quebec, I don't think that that in the end was why the institutions of the federation, the two Houses which didn't pass Meech Lake, did not pass Meech Lake. It was not bigotry in either case.

MR. SCHUMACHER: I think for the record we should point out that really the whips weren't required too much in our House because it was passed unanimously, and there are three parties represented in the House.

DR. SCOTT: I sat through almost the whole of the debates in Newfoundland at the end, and that was almost three days. For the most of the rest of the time that I wasn't actually in the House, I was in a parliamentary office where it was being piped in. I did not hear many of these people from the most modest circumstances from fishing boats, whose fathers came off fishing boats, were speaking passionately about the country; I wish I could get Quebecers in general, instead of having this image that Clyde Wells is some sort of demon, to actually read his speeches in the House, read the speeches of the other members, people not necessarily with enormous educations in every case. There was no hostility to Quebec for the three days there, and there was no hostility to anybody.

MR. SCHUMACHER: Just before I proceed with the questions, Ms. Calahasen, did I --

MS. CALAHASEN: It's okay. There were a number of questions, but I think that I'll just wait until you're finished and then I can get into it.

MR. SCHUMACHER: For Dr. Tupper. "If the report of the Belanger-Campeau Commission recommends the independence or some variation thereof of Quebec, would this cause the virtual collapse of the Canadian Constitution or maybe Confederation?"

DR. TUPPER: I don't think so. I think that we're not sure what will come out of that. I think there's a big difference between, say, recommending independence and recommending any other number of things, some of which could well be compatible with the position of several of the provinces now.

So I would merely repeat, I think, what I said earlier, that until we find out exactly what it is that is being discussed in Quebec, or proposed -- and there is divergence within Quebec, by the way; it shouldn't be forgotten, it's not a monolithic province -- we really aren't going

to know what we're up against.

I am not of the view that anything coming out of the Belanger-Campeau Commission will be destructive of federalism. It will be destructive of certain people's views of what a proper federation is, but it could well mean the proposals we could envisage could be well congruent with other views of what Confederation should be. So I think that's the best I can do on that one.

MR. SCHUMACHER: "Professor Boothe, do you think that the radical constitutional restructuring which you suggest is necessary in Canada can be accomplished by anything short of a new Constitution?"

MR. BOOTHE: First of all, let me repeat what I said. I said that what I think we have to do is prepare ourselves for potentially radical constitutional change. By that, I meant that we do not know what's going to happen, but I think that if we're going to prepare ourselves for this unknown future, we have to lay out a range of alternatives and look at the costs and benefits of each one.

We don't want to find ourselves in a position where we're trying to catch up in terms of the analysis that we should be doing in order to make these choices.

Now, as far as whether this requires a new Constitution, frankly I do not know. What I'm saying is that what we need to do is we need to look at what we think the costs and benefits of these alternatives will be in the future and then ask Albertans, ask western Canadians in general what they want so that people can say, this is the way I think Canada should work, or this is what I want Canada to be like, and then take it from there.

But whether it will require a new Constitution or changes within the existing Constitution, I don't know, and I don't think anyone knows.

MR. SCHUMACHER: "Dr. Tupper, how can we Albertans possibly accept the federal government dealing with Quebec in any matters when, at present anyway, the federal government is dominated by Quebec?"

DR. TUPPER: That ought to be said to Mr. Mulroney, not me, but he or Mr. Mazankowski would very seriously debate the premise of the question, but I think it's a very, very important question.

One of the things that hasn't been dealt with directly is that we have a House of Commons with 75 members from Quebec, and what would their position be in the subsequent negotiation to an independent Quebec? It's a very, very difficult question.

MR. SCHUMACHER: Well, that question was addressed to you. Does any of the other presenters wish to comment on it?

DR. SCOTT: Not specifically.

MR. SCHUMACHER: "If Quebec opts for sovereignty association by 1992 and First Ministers in Canada agreed to amend the Constitution to allow it, and then if Quebec announces unilateral independence, what is the status of Quebec federal MPs? Do we have a paralysis? Who forms the government? Do federal Tories still have the majority? Who negotiates with Quebec? If Parliament dissolved, how do you amend the Election Act? How would you hold new elections since the existing Election Act includes Quebec?"

I don't know whether this is a general comment, but maybe there's something in that that one of you might like to respond to. It isn't addressed.

DR. SCOTT: In legal terms, of course, the hypothesis of the question is that the federal institutions have not given effect through the Constitution to these requests. In other words, the law is that the state exists as it is, that the Declaration of Independence is illegal and anything done in pursuance of it is illegal. These 75 MPs are still MPs and entitled to sit, and the institutions are still entitled to govern.

Now, what is done afterwards is another question. Sooner or later the legal position has to be reconciled with the position on the ground.

I stated earlier that half of Quebec, or whatever the proportion of its territory, was attached to Quebec to be governed within Quebec by the powers, by a province, as a province, with the powers belonging

to a province, and not to be taken out. I think very little force is needed to keep the vast hinterland confederation. I frankly don't think Quebec is viable except on the basis that it has the resources of the north.

The whole thing is entirely predicated on the assumption, the assumption entirely at the root of all this, is that Quebec is entitled to keep these territories and the resources at their disposal. I don't accept that for a minute.

So the question then becomes whether we have a link in Ottawa or whether we have a Mr. Buchanan in the United States who would have allowed the south to secede. Mr. Lincoln did not. There was only a few months between one succeeded the other, and the Civil War broke out. I think we can and ought to resolve our problems without that. It seems to me that we ought to make clear that Quebec is obliged to solve its problems within the framework of the federation by processes of legality and without resort to extra-constitutional means.

MR. SCHUMACHER: "Provinces are already sovereign in their own areas of jurisdiction. Would there be any advantage in shifting the debate to focus on broadening this sovereignty away from sovereignty association?"

DR. SCOTT: There's been a bit of word play already on that because some members have said well, you know, that sovereignty is -- provinces are already sovereign, and federalism is an attempt to reconcile federal sovereignty and provincial sovereignty. So I think there's clearly going to be some word play along those lines.

MR. SCHUMACHER: I think some of these questions or comments should be for other roundtables rather than this one, but this is what we've done, so I'll put them up if anybody wants to comment.

"Should we be waiting for the Quebec Commission, or should we be trying to influence them by indicating what is or is not acceptable or desirable to the rest of Canada?"

DR. TUPPER: I think all is fair in these sorts of things and that people from outside of Quebec can make any representation they want about the situation they're in, whether it's listened to or not.

I think, though, having said that, I'm not so sure what this committee would feel like if it was bombarded with representation from Quebec saying do this, do that. I mean, it's an open system in that sense, and we can all try and influence each other.

I think there's a fairly -- one of the differences between French Canada and the rest of the country is that relatively speaking, maybe you'll disagree, that they are slightly better informed about events outside of the province than we are about events within Quebec, although only --

DR. SCOTT: I don't know whether that's true. It's all filtered through the media, and there's very strong views of the people in control of the media. I don't know whether these proceedings will be fairly reported in Quebec.

One of the most useful things you could possibly do is print the largest possible numbers of these transcripts and just have them available to people who are willing to read them. There's a language barrier, but these things should be made available to all the media, to people in universities, to opinion leaders. They may read them, they may not, but it seems to me papers like those of Professors Boothe and Mansell may well influence some people.

MR. BRADLEY: Could I just make a comment on that.

In terms of media in the country, and I think that's one of the reasons why the country isn't more united, we don't have a "national media" that communicates to all the country the same message. We have a francophone media and we have an anglophone media that's centered out of Toronto.

DR. SCOTT: Even the CBC French Language Service, I happened to be a studio guest in 1976, the Quebec election night, which brought the PQ to power. Within the studio, of course, the studio is the actual televised portion; it's a small area within an enormous barn-like affair, and each time a PQ won a seat, you could hear applause from the workers behind the scenes who were running the wires and so forth and so on. You really begin to realize that within this CBC organization you had large numbers of

people who were profoundly unsympathetic to the national interests; so I think there really is a problem. There isn't a national media, but you have to work with the media you have. I think there are very reasonable people within the francophone media. You have to work with them, and you have to make sure your point of view is always present and make your documents available. Les absent toujours tort: people who aren't there are always in the wrong.

MR. DAY: Chairman, I think it's a good suggestion of Dr. Scott's to get some material to the Quebec Commission. If nothing else, Table 2 of Dr. Mansell's production doesn't even have to be translated into another language; the figures are very clear. I think that would give a fair representation of the some of the concerns of Alberta.

DR. MANSELL: I can tell you that I talked to Pierre Fortaine at the University of Quebec and Montreal just a few days ago, and he's actually using some of my numbers, but unfortunately it's a little different twist. Rather than just do what I did, he's asking what if it's separate. So you have to make some other adjustments, but the basic numbers he's using.

MR. SCHUMACHER: "The rest of Canada may now be willing to allow Quebec to leave. If this happens, do these Canadians want to stay together? Do they want what remains to be more centralized to hold it together or more decentralized? Would any other province opt for independence? What happens to Canada's debt?"

Does anybody have any comment on any portion?

MR. BOOTHE: I'd like to comment on that, and actually partly in relation to the last question as well.

When people say what would English Canada do, what will English Canada say, first of all, I'm not convinced that there's such an entity as English Canada. We can argue whether or not there are even other regions or agreements among people within a particular province. I have to admit, I think that the question of informing people through the media, you know, well, that's interesting.

The main issue here is: "What no one knows the answer to these questions. No one can go and say "I speak for English

Canada" to a Quebec Commission or any Commission. The thing is, and we're getting away, we're forgetting, I think, what purpose of this kind of thing is. The purpose of this kind of Task Force is to get together some information and then to go and ask Albertans what they want.

So before we get to the questions of will English Canada stand for this or go for this, we don't know. The fact that we don't know is why I think that we're taking this step and the subsequent steps to try to find out what people, at least in Alberta, do want.

MR. SCHUMACHER: Thank you.

The last thing I have here is: "What is the viability of a body that can evaluate the policies of federal and provincial governments from a long-term economic as opposed to a short-term political view? This body should be non-partisan and non-regional and have some teeth in shaping policies that are economically sound for the future of our country as opposed to the viability of re-election, possibly out of the Prime Minister's office and one in each province. With members like Dr. Mansell and Mr. Boothe, that is non-partisan economists, not politicians."

That's the last intervention we've had --

DR. SCOTT: Don't feel so badly. As a politician, we lawyers get it a lot too, so leave the day to the economists.

MR. SCHUMACHER: What happens if you're like me, a lawyer and a politician?

DR. SCOTT: You have it bad.

MR. BRADLEY: I'd just like say that with respect, while I think the economics is important, this has to work through the political process. To say that we're going to set up a bunch of economists somewhere to make long-run decisions of the goal to bypass the political process, that's not democracy.

DR. MANSELL: I think the question asked for --

MR. SCHUMACHER: That's like the National Energy --

MR. BOOTHE: The political process is the thing like you said. That's the place where conflicts get solved and common interests get found. Although it works imperfectly, we know that's the job of politicians.

So quite frankly, I think that while we need a lot more research, and that's one of the main points of my paper, surely no one is suggesting seriously that they would replace politicians with economists.

DR. SCOTT: The Bank of Canada and the independent governors, in its effort to do just that, and just see how popular Mr. Crowe is today.

MR. BOOTHE: I'm not sure we'd be better off if he was elected, but at the same time, I'm not sure we want to turn over all the decisions of our future to economists.

DR. SCOTT: Doesn't that reflect in microcosm precisely the problem, between the polls of democratic participation and decision-making and the attempt to hand it all over to someone who is, as it were, an economic judge as opposed to sort of a Supreme Court judge who decides on legal issues; you get this economic judge who is governed in the Bank of Canada, and you give him independence, and are we happy with the result? Is the balance the right one?

MR. DAY: At least if he was elected, we could alter his career in four years.

DR. MANSELL: I might have misheard the question, but I thought it concerned should we have someone to evaluate policies and --

MR. SCHUMACHER: It also said it should have some teeth in it, too.

DR. MANSELL: If it's just as the role of an auditor-general type function, I think it's --

MR. SCHUMACHER: What about the Economic Council of Canada? Is that supposed to be doing that type of thing?

DR. MANSELL: It has no teeth.

MR. SCHUMACHER: We've passed the hour of our proposed adjournment, and I'm sorry if I am rushing anybody, but I would, on behalf of our Task Force, like to express a sincere appreciation to Dr. Scott, Dr. Tupper, Dr. Mansell, and Mr. Boothe for being with us this afternoon.

I believe that our Task Force has now concluded the most interesting and the least effort-expending phase of our operation because, as Mr. Boothe has pointed out, our task now is to prepare a method whereby we can actively consult with Albertans concerning Albertans' role in any future configuration of our spot in North America. I want to again express our appreciation to our presenters this afternoon for helping us start on that journey.

DR. SCOTT: Thank you for your hospitality, which has been most warm, and the considerable privilege of coming here has been an enormous education for me. I don't know about you, but it certainly has been for me.

MR. SCHUMACHER: Thank you very much.

(Proceedings adjourned 5:10 p.m.)

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